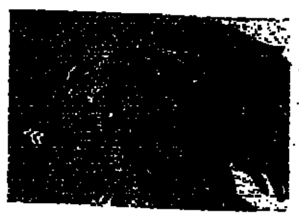

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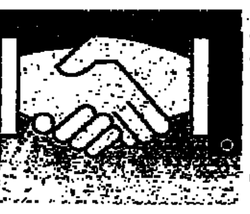

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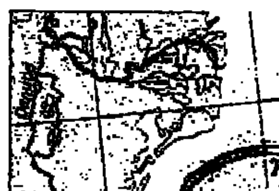

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Trying to save the damaged delta
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FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY AUGUST 17 1994 — D8523A

Carlos testimony could reveal guerrilla networks

International terrorist Carlos "The Jackal" appeared in court to face charges concerning a 1982 bomb attack in Paris amid hopes that he would reveal details of guerrilla networks and concerns that his arrest could prompt reprisals from extremist sympathisers.

French interior minister Charles Pasqua rejected allegations that there had been a trade-off with Sudan to secure Carlos's extradition. Page 2

Unilever steps up soap war: Unilever, the Anglo-Dutch consumer products group, raised the financial stakes in its continuing "soap war" with US rival Procter & Gamble by offering hefty rebates to Dutch consumers who buy its new washing powder. Page 12

More plutonium seized in Germany

An east German man was arrested in Bremen while attempting to hand over a "sample" (left) of supposedly Russian plutonium to a German undercover agent. The arrest prompted Russian denials that its controls over nuclear materials were not working and in Moscow, Russian security officials attacked what they said were western attempts to discredit the country's nuclear industry. Page 12

Electrolux strongly ahead: Large capital gains and a strong underlying recovery helped Electrolux, the world's biggest manufacturer of household appliances, to raise first-half pre-tax profits to SKr4.43bn ($570m) from SKr605m. Page 18; Lex, Page 12

British soldier killed in Bosnia: A British soldier was killed in central Bosnia while on a mine clearance operation. Sapper Barry John Nicholas, 20, from Dagenham, Essex, was the eighth British soldier to die in the region since troops were sent there in 1992. View from the frontier, Page 2

Rover Group, the leading UK carmaker and a subsidiary of BMW of Germany, is planning to develop a range of smaller Land Rover fourwheel drive vehicles as part of a five-year new model investment plan. Page 12

Disposals push up Hanson profits: Anglo-US conglomerate Hanson reported a 26 per cent rise in pre-tax profits to £965m for the nine months to June 30, bolstered by £231m of profits on disposals. Profits before exceptionals fell to £634m. Page 13; Lex, Page 12

Hewlett-Packard, pace setter of the computer industry, maintained its rapid growth in its third quarter with revenues up 22 per cent to $6.1bn (£3.9bn) and a 27 per cent rise in orders. Page 15

US housing starts improve: Housing starts in the US rose by a better-than-expected 5 per cent in July to an annual rate of 1,115,000, the Commerce Department said. Page 4

Mexican workers attack Sony: US and Mexican labour organisations filed a complaint against Sony Corporation, electronics multinational, for alleged violations of worker rights at the company's plants in Mexico. Page 5

India wants 'flammable skirt' ban lifted: India is to ask the US to lift a ban on the import of Indian rayon-cotton skirts, imposed because they were considered "dangerously flammable". Page 5

Japanese reactor restarted: A 22-year-old nuclear reactor near Kyoto, Japan, was restarted more than three years after a broken pipe caused one of the most serious alerts in the country's civil nuclear programme. Page 3

Major to visit South Africa: UK prime minister John Major will visit South Africa next month. It will be the first visit to the republic by a British prime minister for 34 years. Page 3

Owners Abroad changes identity: Owners Abroad, the UK's third largest travel company, renamed itself First Choice Holidays in an attempt to regain market share. Page 14

Fears over Swedish finances: Sweden's manufacturers warned that the precarious state of the country's public finances was undermining industrial confidence. Page 2

BBC to keep Test cricket: The BBC will have exclusive rights to live coverage of cricket test matches as part of a four-year deal. Texaco Trophy matches and Benson and Hedges Cup games will be screened live by BSkyB.

■ STOCK MARKET INDICES

FT-SE 100:	3,147.3	(+5.1)
Yield	4.0	
FT-SE Eurotrack 100	1,358.59	(+7.40)
FT-SE-A All-Share	1,578.3	(+0.1%)
Nikkei	20,786.36	(+160.03)
New York: lunchtime		
Dow Jones Ind Ave	3,765.47	(+5.18)
S&P Composite	462.49	(+1.26)

■ US LUNCHTIME RATES

Federal Funds:	4⅝%
3-mo Treas Bills: Yld	4.646%
Long Bond	100$\frac{11}{32}$
Yield	7.449%

■ LONDON MONEY

3-mo Interbank	5⅝%	(5$\frac{11}{16}$%)
Liffe long gilt future:	Sep 101⅛	(Sep 100$\frac{31}{32}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$17.06	(16.93)

■ Gold

New York Comex (Dec)	$382.9	(382.4)
London	$376.8	(377.35)

■ STERLING

New York lunchtime:		
$	1.541	
London:		
$	1.5401	(1.5423)
DM	2.3951	(2.3956)
FFr	8.2187	(8.2359)
SFr	2.0093	(2.0117)
Y	154.665	(154.639)
£ Index	78.8	(same)

■ DOLLAR

New York lunchtime:		
DM	1.553	
FFr	5.31875	
SFr	1.298	
Y	100.35	
London:		
DM	1.5552	(1.5533)
FFr	5.3365	(5.34)
SFr	1.3046	(1.3044)
Y	100.425	(100.265)
$ Index	63.2	(63.1)
Tokyo close Y 100.16		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	CC1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
France	FFr9.50	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal(mTand) Esc225		Turkey	L30000		
						UAE	Dh12.00		

Markets waver on sharp rise of half a percentage point as banks increase loan costs

Fed lifts short-term rates to curb inflation

By George Graham in Washington and Our Markets Staff

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The US Federal Reserve yesterday lifted short-term interest rates for the fifth time this year, adding half a percentage point to rates in an effort to head off inflation rises.

After a morning meeting of the Federal Open Markets Committee, which sets interest rate policy, the Fed announced that it was increasing the discount rate which it charges on money lent to the banking system to 4 per cent from 3.5 per cent. The Fed is also raising the federal funds rate, which banks charge each other on overnight balances, to 4.75 per cent from 4.25 per cent.

Although an increase in rates had been widely expected, investors and dealers were unsure whether the Fed would raise rates by a quarter of a point or make the sharper adjustment that came yesterday.

On Wall Street early reaction to the Fed move was mixed, with both bond and share prices relinquishing strong early gains.

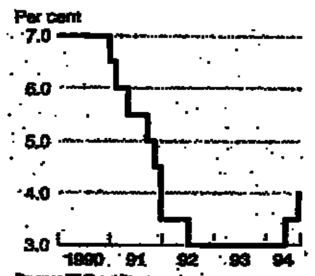
Chase Manhattan yesterday raised its prime lending rate for its best business customers to 7.75 per cent from 7.25 per cent in the wake of the Fed move and other banks followed suit.

White House officials have repeatedly said that they see no signs of inflation rises that would require a tightening of monetary policy, but add that the Fed is independent. "Given the strong gains in output and employment so far this year, we need to be watchful for signs of developing price pressures," Mr Lloyd Bentsen, US Treasury secretary, and Ms Laura Tyson, White House chief economist said yesterday.

Democratic senators, however, were less sparing in their criticism. "If you're bored down there at the Fed, if a rosy economic outlook makes you blue, get out of town, take a vacation, do anything, but just don't raise those interest rates," Senator Dennis DeConcini of Arizona said before the Fed move.

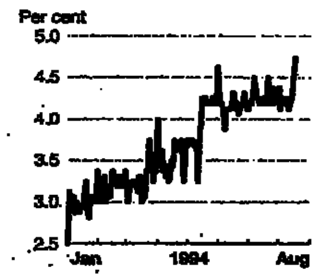
Fed officials note that they kept interest rates very low to try to boost recovery in 1992 and 1993. "In fact, real short term rates – that is, adjusted for inflation – were around zero levels throughout last year," Mr Robert Parry, president of the San Francisco Fed, said last week.

US discount rate



Source: FT Graphite

Federal funds rate



Most recent economic data have suggested that the economy has slowed considerably, and is now growing at a much steadier pace than the 3.7 per cent annualised rate of the second quarter.

However, July's employment statistics showed that job creation remained strong, and the producer price index, published last Thursday, showed a 0.5 per cent bounce in wholesale prices last month.

Fed officials say that their policy actions only show their effects about one and a half to two years later, and that they cannot be deterred by the apparently calm inflation indices.

In New York prices on longer-dated Treasury bonds surged 1¼ points on the rate rise, even though most analysts had anticipated the Fed's course of action.

At first traders appeared reassured by the Fed's apparent resolve to snuff out inflationary pressures and relieved by its suggestion that monetary policy was on hold. But within a half hour of the move, the market was having second thoughts. The benchmark 30-year government security was showing a net gain of only a half point at 1.45pm.

In the equity markets, the rate rise triggered a brief rally, but within minutes a 20-point gain by the Dow Jones Industrial Average was converted into 15-point loss. By 3pm, the Dow was down 4.53 at 3,755.76.

Germany's Bundesbank, which tomorrow holds its first policy meeting after the holiday, is expected to allow the dust to settle after the Fed decision.

Federal Reserve chairman Alan Greenspan: determined to snuff out inflationary pressures in the economy — Picture: Tony Andrews

Israeli bourse closed for financial reforms

By Julian Ozanne in Jerusalem

Israel closed its stock exchange for two days today after announcing plans yesterday to introduce sweeping financial changes, including a capital gains tax on stock market profits and an easing of foreign exchange controls.

The foreign exchange liberalisation will significantly increase the ability of Israeli companies to invest abroad. Foreign companies are also to have the right to issue shares for the first time on the Tel Aviv market.

Mr Avraham Shochat, the finance minister, said the Tel Aviv stock exchange would remain closed for two days to give the volatile market, which has plunged about 20 per cent from its peak this year, time to assess the new 10 per cent tax on inflation-adjusted capital gains, due to take effect from January 1 1995.

As the market normally closes on Fridays and Saturdays, trading will not resume until Sunday.

Government officials said the new capital gains tax, which will not be levied on provident funds, would raise Sh500m (£106m) allowing the Treasury to cut employers' taxes and stimulate growth. Officials said the move also brought Israel into line with global markets which tax profits on share trading.

Market analysts said they expected a wave of selling when the market reopens and said the move could delay the government's privatisation programme and confuse dozens of companies planning new issues. They said they hoped the government would make changes to allow individuals to offset the tax against share losses before implementation.

In a separate move, the Bank of Israel announced a radical liberalisation of foreign exchange controls. Among the measures are

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German court halts in-flight phone licence

Mercury and Mannesmann challenge decision

By Judy Dempsey in Berlin

A German court has prevented the federal government from awarding the country's first in-flight mobile telephone licence to Deutsche Telekom, the state-owned telecommunications monopoly.

The decision, late on Monday, will be seen as a setback for the government, which is believed to be trying to help maximise Deutsche Telekom's market position ahead of its partial privatisation, scheduled for early 1996.

It followed injunctions filed last week by Mercury, the British-based telephone network, and Mannesmann, the German engineering conglomerate, in which both questioned the internal procedures used by the postal ministry to award licences.

The ministry awarded the licence last June to DeTeMobil, the mobile telephone division of Deutsche Telekom, which pledged to invest more than DM15m ($9.5m) in establishing a country-wide in-flight mobile telephone system.

An official at the postal ministry said the award was made on the basis of a points system, with DeTeMobil scoring higher than Mercury or Mannesmann, the only other bidders.

Under German legislation, the government is allowed to award licences through a lottery system when two or more bids are considered equal.

But in the case of DeTeMobil, no lottery had been held even though the Cologne Administrative Court said yesterday it considered the bids from Mercury and Mannesmann to have been just as competitive as that from DeTeMobil.

Mercury and Mannesmann filed separate injunctions last week after they received information that the postal ministry had set out internal guidelines which had not been available to either company when they originally submitted their bids for the licence.

"We had not questioned the procedures and terms for applying for the licence when they were issued earlier this year," a Mercury spokesman said. "Rather, it was how the decision was taken internally [in the postal ministry] once the evaluations had been made which we questioned."

He said Mercury had been granted permission by the postal ministry to see those guidelines two weeks ago, nearly six weeks after DeTeMobil had been awarded the licence.

The decision by the court means that the government must either decide to delay issuing the licences, review the entire procedure for awards, or else challenge the court's decision.

However, a Mercury spokesman said: "It is very likely that a lottery will be held because the scoring of the three companies was so close."

Meanwhile, Mercury claims to have successfully completed trials for providing ground support for an in-flight mobile telephone network for Lufthansa, Germany's national airline.

UK officials admit crucial error over jobs for disabled

By Robert Taylor, Labour Correspondent, in London

Whitehall officials last night admitted it was their mistake over a change in European Union law that prompted UK employment secretary Michael Portillo to scrap a job support scheme to help disabled workers.

Senior civil servants failed to realise the new directive on awarding public supply contracts, which came into force in June, had dropped previous legal protection that had enabled EU states to support subsidised schemes for the disabled.

"They failed to pick it up", said one official. As a result, Mr Portillo believed he had no option but to terminate the government's Priority Suppliers Scheme, dating back to just after the second world war, which helped disabled workers tender at a lower price than others for public contracts.

The news came as the EU denied UK claims that it had last week questioned the legality of the priority supplier scheme. The UK foreign office said a letter from Mr Martin Bangemann, EU industry commissioner, to Mr Douglas Hurd, UK foreign secretary, had specifically confirmed the Commission's doubts about the scheme. Brussels officials said the letter had nothing to do with the case. The new consolidated directive was drafted at the end of 1992 by EU officials after Brussels consulted civil servants of all the member states. In Britain both Treasury and the Department of Employment officials gave advice on the contents of the draft.

It was stressed last night that UK ministers were not directly involved in that consultation process, when Mr Portillo was Chief Secretary to the Treasury.

The previous EU directive, drawn up in January 1977 on co-ordinating procedures for the award of public supply contracts, stated clearly that opt-outs were permissible which would protect the position of disabled workers.

That directive said public supply contracts must go to "either the lowest price only" or to "the most economically advantageous tender", depending on a number of commercial considerations. But it also made clear that the economic criteria "shall not apply when a member state bases

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NEWS: EUROPE

New blow to Gorleben N-waste plan

By Christopher Parkes in Frankfurt

The Bonn government has again failed to penetrate the political blockade against its plans to stockpile high-level nuclear waste in facilities at Gorleben, Lower Saxony.

Although there are no remaining legal obstacles, Mr Klaus Töpfer, federal environmental minister, was unable to counter a rearguard action mounted by Mr Gerhard Schröder, the Social Democrat (SPD) prime minister of Lower Saxony, at a meeting in Bonn yesterday.

The talks followed a strong restatement by the SPD of its determination to quit nuclear power generation if it wins the forthcoming general election in October.

Mr Schröder said the subject of yesterday's talks, a proposal to transport used fuel rods to Lower Saxony in north Germany from Philippsburg in the south, made no sense, especially when there was sufficient interim storage space on the reactor site.

He also claimed there had been difficulties with loading the rods into their reinforced steel transport and storage containers which made shipping them to Gorleben irresponsible.

A top-security store at the Lower Saxony site is already used to keep low-level radioactive waste, but plans to use the site to store high-level material until a permanent disposal site is agreed have been repeatedly blocked by extended planning inquiries.

The latest impasse in a complex wrangle which has lasted almost 20 years appeared likely to postpone further action - and the risk of a messy political row - at least until after federal elections in October.

The talks ended with Mr Töpfer promising to re-examine objections, and Mr Schröder repeating demands that other states share some of the burdens of nuclear waste storage.

However, Mr Töpfer, who said the review would be undertaken without time pressure, added that should the occasion demand it a final decision would fall to him under federal law.

The irony of the SPD position is that it has to find ways of permanently storing nuclear waste if it is to abandon nuclear power generation altogether.

The only alternative is reprocessing of nuclear waste, which simply produces more fuel for power stations.

Germany urgently needs interim storage space in addition to capacity already installed at power stations. More than 5,000 cubic metres of high-level waste sent for reprocessing in France and Britain is due to be re-imported from the end of this year.

Tapie to delay appeal on art seizure

By Alice Rawsthorn in Paris

Mr Bernard Tapie, the beleaguered left-wing entrepreneur, yesterday delayed until October his legal appeal against the confiscation of his art and furniture collection by Crédit Lyonnais, the state-controlled French bank that is pressing him to repay his FFr1.2bn ($225m) debts.

Crédit Lyonnais late last month sent a team of bailiffs to the Tapie family's opulent townhouse on Rue des Saints-Pères in the Saint-Germain des Prés area of Paris to seize the flamboyant Euro-MP's collection of old master paintings, oriental carpets and 18th century furniture.

The art and furniture, acquired in the late 1980s when the *nouveau riche* demagogue was hailed as one of France's most successful businessmen, has been valued at between FFr350m and FFr500m. Mr Tapie used it to guarantee part of his bank loans.

Crédit Lyonnais, which is under pressure from the French government to clean up its balance sheet after the announcement this spring of a FFr44.9bn state-backed rescue package, claimed it was seizing the collection after Mr Tapie's failure to repay his debts.

The bank signed a five-year repayment agreement with Mr Tapie in March. It revoked that agreement two months later claiming the flamboyant entrepreneur had breached the accord and demanding the full repayment of his loans. Mr Tapie claimed that the bank's action was part of a political plot against him by the centre-right government.

He is now suing Crédit Lyonnais to try to reinstate the original five-year repayment agreement and to regain his art and furniture. The first hearing for his appeal against the furniture seizure was due yesterday morning. However Crédit Lyonnais said Mr Tapie's lawyers had requested that the hearing be postponed until October 7 giving them more time to prepare their case.

Meanwhile *nouveau pauvre* Mr Tapie, who was wont to pose proudly for the paparazzi at the helm of his yacht, now poses with his family in tow muttering altruistically about how material success was never really important to him.

French defence lawyer Jacques Verges, who will defend Carlos, at the Paris courthouse yesterday. Verges defended the late Lyons Gestapo chief Klaus Barbie in the 1980s AP

Carlos' testimony could reveal guerrilla networks

By John Ridding in Paris

Carlos "The Jackal", the international terrorist, was formally placed under investigation for a 1982 bomb attack by a Paris judge yesterday amid hopes that he would reveal details of guerrilla networks and concerns that his arrest could prompt reprisals from extremist sympathisers.

Mr Charles Pasqua, the French interior minister, said that Carlos' testimony could unveil links to guerrilla networks and foreign nations which support terrorism. Responding to the potential security threat involved in detaining Carlos, the interior minister said that "the risks of attack naturally exist. But measures have been taken."

Mr Pasqua rejected allegations of a trade-off with Sudan to secure Carlos' extradition. The claims included press reports that France had provided Khartoum with surveillance photographs to help Sudan's Islamic government combat rebels in the south of the country. A lawyer acting for Carlos also claimed that he had been kidnapped from Sudan in a deal between Paris and Khartoum.

Western diplomats in Paris said France had been cultivating contacts with Sudan recently with the aim of capturing Carlos. They said Sudan had extradited Carlos to improve its standing in the west. Following Carlos's arrest, Sudanese officials urged the US to remove Sudan from its blacklist of states that support terrorism.

The arrest of Carlos represents a coup for the centre-right government of Mr Edouard Balladur and for Mr Pasqua in particular. Mr Balladur claimed the arrest, after collaboration between Sudan's security forces and the French intelligence service, demonstrated France's tough stance against terrorism.

Mr Pasqua has been pursuing a crackdown against suspected Islamic extremists following the killing of five French citizens in Algeria earlier this month. A CSA poll showed that a majority of French people believe the measures employed by Mr Pasqua, which have involved sweeping stop and check searches, are an effective response to the threat of terrorism.

Carlos, whose real name is Illich Ramirez Sanchez, is due to face charges relating to a 1982 bombing near the Champs Elysées in Paris in which one person died and 63 were injured. The 1982 attack is the only one for which France has issued a formal arrest warrant. Carlos was separately sentenced to life imprisonment in his absence two years ago for the 1975 killings of two French counter-intelligence agents.

Mr Pasqua said that Carlos himself had claimed responsibility for 83 killings, at least 15 of them in France in a career of terrorism which started in 1970 when he joined the Popular Front for the Liberation of Palestine.

Appearing yesterday before Mr Jean-Louis Bruguière, the anti-terrorist judge, Carlos appeared calm and relaxed. "We also had Famas (the French army issue assault rifle) in Lebanon, they are good," he told his guards.

Berlusconi earns short break in the sun

But his political and economic problems are not set to go away, writes Andrew Hill

For the first time this summer, it looks as though Mr Silvio Berlusconi, the Italian prime minister, can relax and enjoy a few days at the seaside resort of Portofino, near Genoa.

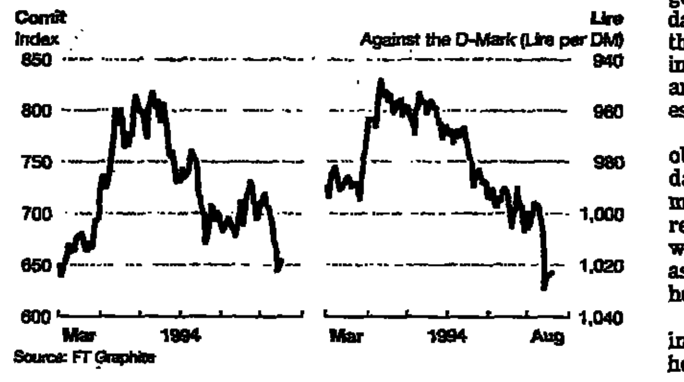
After the turbulence of last Thursday and Friday, Italian financial markets were calm yesterday - either snoozing after the Monday bank holiday, or tranquilised by television pictures at the weekend of Mr Berlusconi arm-in-arm with Mr Umberto Bossi, his coalition partner and principal critic, in the garden of the prime minister's villa near Milan.

The main Italian equity indices rose by 1.4 per cent yesterday, bond yields were almost unchanged, and the Italian lira stabilised at around L1,023 against the D-Mark, ahead of yesterday's US Federal Reserve meeting. Dire warnings of a Black Tuesday to follow Black Thursday and Friday did not materialise.

Analysts, however, warned that by patching up the cracks which had appeared in the governing coalition, Mr Berlusconi had only won his government a breathing space. "Bossi and Berlusconi being friends again is not going to solve the issue; it's just a palliative," said Mr Andrea Ruggeri of Goldman Sachs yesterday.

The issue, in this case, is how the government will tackle the country's looming public debt, which stands at about 120 per cent of gross domestic product. Last month, the government confirmed that it would aim to cut the deficit from L154,000bn (£62.4bn) this year, to L138,600bn in 1995, but it postponed key decisions on the detail of budget measures until September, to the disappointment of industry and investors.

That partly explains why markets reacted so nervously last week to indications that all was not well in the government coalition. Apart from Mr Bossi's well-publicised criticisms of alleged political misjudgments, some ministers hinted they would not accept the heavy cuts in pensions spending, needed if Italy is to balance its books.



The efforts of the Bank of Italy to defend the currency with half-point interest rate rises on Thursday evening turned out in the end to be counter-productive, although the move may have served to remind the prime minister that firm action will be necessary to avoid further rate rises.

Mr Berlusconi has had to work hard in order to achieve even the latest fragile political peace, using all his experience as a media magnate to soothe the Italian people, first with a series of you've-never-had-it-so-good television interviews on Friday night, then with the ostensibly good-humoured garden press conference with Mr Bossi on Saturday.

In the meantime, he and his aides have continued to whip less co-operative coalition members into line with firm hints that opposition to the government is unpatriotic, and dark warnings that allies of the left, disgruntled after losing the March general election, are pulling against the interests of the country.

Even with this effort, some observers pointed out yesterday that the markets had merely frozen at the levels reached at the end of last week, rather than recovered, as Mr Berlusconi might have hoped.

"There's a lot of indecision in the marketplace after the holiday, but the tone hasn't really changed," said Mr Carlo Cimino of the Milan investment firm Aloisio Foglia Ventura.

In the longer term, most analysts are still broadly optimistic about the Italian economy, and if Mr Berlusconi can win round his coalition allies to support a tough budget for 1995, they say he will be rewarded. For the time being, however, in line with the holiday spirit, the markets are simply treading water.

Serbian embargo changes view at the frontier

By Laura Silber in Mali Zvornik

The price of beer in the Bosnian frontier town of Zvornik has doubled in the past week, a sign that the embargo by neighbouring Serbia is holding. Diplomats concur, and the local police commander says all transport - except for humanitarian aid - has been stopped.

How long this will remain the case is difficult to tell. Ten days after President Slobodan Milosevic of Serbia imposed the blockade against the Bosnian Serbs, UN officials and western diplomats have failed to persuade him to allow the deployment of international monitors on the border.

Yugoslavia - now comprised of Serbia and Montenegro - severed communications, trade and financial transactions with the Bosnian Serbs after the latter rejected an international peace plan that would have required them to hand over one-third of the 70 per cent of Bosnian territory they control.

But Mr Milosevic appears to be winning the delicate propaganda battle over the embargo move which his Bosnian Serb critics say is turning Serb against Serb.

Inhabitants of Mali Zvornik, a frontier town 150km south-west of Belgrade, are divided over the peace plan, designed to partition Bosnia between its warring peoples.

"Bosnian Serbs want more land than they can hold. There is not a living soul in dozens of villages around Zvornik," says Mr Milan Jokic, owner of a roadside cafe by the River Drina, on the frontier.

Mali (Little) Zvornik - many of whose 5,000 inhabitants have families or jobs across the Bosnian frontier in Zvornik - was until recently a hotbed of Serb nationalism. It was a stronghold of extremist Serbian leader, Mr Vojislav Seselj, the parliamentary deputy who rallied "weekend warriors", paramilitaries for violent looting forays in Bosnia.

But in the Cafe Balkan, just yards away from the bridge that serves as the local frontier crossing, the summer heat appears to have given way to war-weariness and suspicion.

The town's inhabitants themselves are surprised by the change in Mali Zvornik. Even in this feeding ground for radical nationalists, Mr Milosevic so far has succeeded in muting any serious protest against his embargo decision.

Indeed, the Serbian President appears to have persuaded many that the war is not in Serbian interests. For the time being, he would be content with driving a wedge between Serbs on either side of the frontier in order to win his power struggle against the Bosnian Serb leadership.

Mr Jokic makes clear his frustration with the 28-month long war and the sharp economic decline in Serbia. "Half a million Serbs in Bosnia are holding 12m hostage in Yugoslavia," he says.

A 41-year-old factory worker who gave his name only as Rodoljub says: "I was against the war from the beginning, then I did not dare say a word. Now it is possible to speak out a bit.

"The war never should have started. Now Milosevic is trying to blame the war on others," adds Rodoljub, who until May worked in an aluminium plant in Zvornik which he says is unable to export because of UN sanctions against Yugoslavia.

"Of course, many of the 3,000 workers are angry. They complain that Belgrade pushed them into the war," he says. "But a year ago you could not talk with any of the Bosnian Serbs. Their heads were full of war, but now they are plagued with regrets," says Rodoljub of his Bosnian kin over the river.

Zvornik is a mess. Overflowing now with Bosnian Serb refugees, 70 per cent of its population was Moslem before Serb paramilitaries backed by the Yugoslav army seized control of the town in April 1992.

Glancing at the portraits of Serbian heroes from the first world war on the walls of the cafe, however, Veljko, another factory worker from nearby, has more strident views. "The people are not divided," he says to a friend with a Yugoslav air force MiG 21 tatooed on his forearm.

"Television Serbia is lying when it says that Serbs are in favour of the peace plan. People used to love Milosevic. But this has now turned to hate."

But the bravado may just be a cover. "People are scared that peace will reveal the crimes they have committed in Bosnia," whispers Rodoljub.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.
DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Corporate Sweden warns over public debt

By Hugh Carnegy in Stockholm

Sweden's manufacturers warned yesterday that the precarious state of the country's public finances was undermining industrial confidence and appealed to the country's politicians fighting next month's general election to tackle the issue urgently.

"The big state debt and the record budget deficit are deeply worrying and must be tackled with credible, long-term policies," the Federation of Swedish Industries said in a pre-election list of demands circulated to all political parties.

"Proposals early in the election campaign and certainly after the election on how the political parties propose to solve our severe problem in the state finances can reduce uncertainty and contribute to higher confidence in the future," the federation said.

The election campaign has so far been dominated by a debate over how to control the budget deficit. At 13 per cent of gross national product in the last budget year, it is one of the highest in Europe and has inflated state debt to almost 100 per cent of GNP.

The centre-right parties in Prime Minister Carl Bildt's coalition government emphasise cuts in Sweden's bloated public spending programme, while the opposition Social Democrats, clear favourites to win on September 18, propose a selection of tax increases.

But both sides have so far avoided giving detailed plans. The industry federation, which represents 6,000 manufacturing companies, also called on the leading parties, which support Swedish membership of the European Union, to work together to ensure a hesitant electorate votes to join in a referendum due in November. "No other issue, besides solving the state's financial crisis, is more important for Sweden's next government," it said.

Although Sweden's dominant exporting and internationally based companies are reporting resurgent profits after three years of recession, manufacturers remain concerned by weak domestic demand, high interest rates and low investment rates.

The federation said industry's capital needs would total SKr600bn (£50bn) over the rest of the decade, requiring investment to grow by 20 per cent a year.

It warned against raising corporate, capital, energy and environmental taxes - a caution aimed mainly at the Social Democrats - and called for a breakdown of Sweden's system of low wage differentials.

EUROPEAN NEWS DIGEST

Appeal over Fiat charges

An appeal was lodged yesterday against last month's decision by an Italian judge to drop bribery charges against top executives of Fiat, the Italian industrial giant. Mr Francesco Misiani, a Rome investigating magistrate, is contesting the decision not to send for trial Mr Cesare Romiti, Fiat chief executive, Mr Francesco Mattioli, finance director, and Mr Umberto Beliazzi, head of the company's Rome office. The trio were among 61 people facing charges that they paid bribes of more than L100bn ($63m) to political parties - particularly the Socialists and Christian Democrats - to win contracts for building Rome's metro system. Former Socialist prime minister Mr Bettino Craxi, who is living in Tunisia, was one of those sent for trial.

According to Italian news agency reports, Mr Misiani's 18-page deposition to the Rome appeal court alleges that "within the Fiat group the initiative for paying bribes was taken by the top managers". All three executives have denied the charges. Executives in Fiat's construction subsidiaries have already come under suspicion for bribery and at least one has confessed. But Mr Misiani maintains that these executives were "the last link in the chain" which began with Mr Romiti and Mr Mattioli. *Andrew Hill, Milan*

Air delays in prospect

European flights face increased delays after a two-year period of improvement, the Association of European Airlines said yesterday. During the first half of this year, just over 11 per cent of intra-European flights were 15 minutes or more late - "reasonably good" figures in the AEA's view and down on the same period last year. "The improvement was all in the first quarter, however, with a steady deterioration since then," it said. The association's secretary-general, Mr Karl-Heinz Neumeister, said infrastructure deficiencies at airports and in air traffic control systems caused 62 per cent of delays in June. "The build-up of demand in summer months is not a new phenomenon. The airlines cope with it. The tourism industry copes with it. We lay on capacity appropriate to the demands of the market. The infrastructure providers, all too evidently, do not," he said *Reuter, Brussels*

Dutch party leader resigns

Mr Elco Brinkman (left) resigned yesterday as Christian Democrat leader in the lower house of the Dutch parliament in a delayed response to the party's record losses in last May's general election. His departure comes days before the expected inauguration of a coalition government that will exclude the Christian Democrats from power for the first time in modern Dutch politics. His successor, not yet named, will effectively become leader of the opposition. The new government is to be formed by Mr Wim Kok, the Labour leader. Mr Ruud Lubbers, the outgoing Dutch prime minister, chose Mr Brinkman as heir apparent within the Christian Democrat party when he decided not to stand for a record fourth term in office. However, Mr Brinkman never managed to achieve Mr Lubbers' authority or popularity, and the party saw its seats in the 150-seat parliament cut to 34 from 54 in the election. *Ronald van de Krol, Amsterdam.*

Cash bags seized in Siberia

Police at a Siberian airport have seized bags stuffed with 1,300kg of cash worth Rbs7bn (£2.2m at the market rate). The six sacks were to have been flown by special aircraft from Irkutsk to Volgograd in central Russia, according to Itar-Tass news agency. The Irkutsk deputy governor said there were no documents for the cargo, which was traced to an investment firm called The Russian House of Selenga. A year ago, a Volgograd court ruled that the firm was operating illegally but it has continued to take investors' money, according to the Rossiyskaya Gazeta newspaper. On Tuesday the firm placed advertisements in Volgograd newspapers informing shareholders it was suspending operations, but promising to return their money. The firm's activities are under investigation. *AP, Irkutsk.*

Polish inflation target attacked

Poland's central bank has criticised the government's inflation target for next year as unrealistic. Mr Witold Kozinski, deputy president, told Nowa Europa newspaper that the 16 per cent target was unrealistic after this year's 27-28 per cent rate. The government's outline budget, he said, seemed to indicate a sharp rise in central bank financing of the deficit. Unless that share was reduced, the inflation rate would not be brought down. Mr Kozinski called for more information on what the government's financing requirements might be so that the bank could help. *Reuter, Warsaw.*

Stolichnaya fortunes run low

The bottle is running low for one of Russia's top vodka-makers. Bankruptcy officials have declared insolvent the Kristall joint-stock company, maker of Stolichnaya and two dozen other brands of the national drink. Kristall has debts of Rbs6.7bn, and the state, which owns 51 per cent of the company, plans to help restructure it. Company officials disputed the ruling and said they had appealed to the city and federal governments. For centuries the government had a monopoly on vodka sales. In February, the state lowered excise duties on Russian vodka to try to help the troubled domestic industry. Russian distillers have been struggling to adapt to a new market awash with foreign brands. *AP, Moscow*

ECONOMIC WATCH

Prices are steady in Sweden

Sweden's consumer price index was static in July compared with June, the second consecutive month of unchanged prices, according to figures from the national statistics agency. The July figure brought the year-on-year inflation rate to 2.9 per cent, up from 2.6 per cent the month before but down from the previous July's 4.6 per cent. The agency said that price increases in some areas in July had offset declines elsewhere. Higher interest rates, and higher prices for fresh fruit, vegetables and coffee raised consumer prices by 0.3 percentage points in the month. This had been wholly offset by lower clothing prices. In the first seven months of 1994, Swedish consumer prices rose by 1.8 per cent, the agency said. *AP-DJ, Stockholm*

■ Spain's producer price index rose 4.3 per cent in June compared with the same month last year, the national statistics institute reported. Prices went up by an accumulated 2.6 per cent since December. Those of chemical products and minerals not used for energy showed the highest rise – 6.3 per cent in June from the same month a year earlier. The same prices rose by 0.5 per cent in June from May.

هكذا في الأصل

Taiwan-China links urged by shipping chief

By Laura Tyson in Taipei

Mr Chang Jung-fa, chairman of Taiwan's Evergreen Group, has called on the Taiwan government to "separate politics from economics" and open direct shipping and air links to China, saying Taiwan's economic future hinged on direct ties.

In a rare interview published yesterday in the Chinese-language Commercial Times, the founder of one of the the world's biggest shipping companies and Taiwan's first private international airline voiced the frustration of Taiwan's business sector at being forced to route trade and investment through Hong Kong.

"A few years ago, virtually all of China's trade went through Hong Kong, and Evergreen was able to compete with other companies," Mr Chang, who has heretofore refrained from publicly opposing government policy, was quoted as saying.

"Now shipping firms from all countries are setting up bases and routes to the mainland, and Evergreen has to rely on Hong Kong alone."

He also warned that, because of Hong Kong's reversion to Chinese sovereignty in 1997, Taiwan must face up to and resolve the problem of direct links. "If not, when the time arrives, not only will there be problems with flights to Hong Kong, there will also be problems with shipping to Hong Kong," he said.

In a country where business leaders exert exceptional influence on government policy, Mr Chang's remarks are a clear sign of growing pressure on the government to address the question of direct links to China. Taiwan has formally banned direct political and economic ties since 1949.

There are sharp divisions within government ranks over the question of cross-strait shipping and air links, with three cabinet ministers advocating their speedy resumption on the grounds that such a move is necessary for Taiwan to remain economically viable.

On Monday, Mr Vincent Siew, chairman of the Council for Economic Planning and Development, the top planning agency, told Prime Minister Lien Chan that direct links were key to the realisation of Taiwan's oft-stated ambition of becoming a regional centre for business and finance.

Taiwan's existing five-year air rights agreement with the colony expires on April 30 next year. Talks between Taiwan's China Airlines and Hong Kong-based Cathay Pacific Airways to renew the agreement appear to have broken down. Hong Kong newspapers reported on Monday that Beijing was insisting on having a final say on any new air rights agreement with the colony extending past 1997.

Mr Chang wants his airline, EVA Air, founded in 1991, to fly to China's main cities and is trying to gain access to the lucrative route between Taipei and Hong Kong, currently dominated by CAL and Cathay.

Taiwan has invested an estimated \$15bn (£9.7bn) in China since the early 1980s and some 12,000 Taiwan companies have set up operations in China.

Nigeria high court judge quits Abiola trial

By Paul Adams in Abuja

The struggle between Nigeria's military regime and the country's civilian opposition remained unresolved yesterday after the judge in Abuja's high court withdrew from the treason trial of Mr Moshood Abiola.

More protest strikes look imminent especially among Mr Abiola's fellow members of his Yoruba tribe in Lagos and south-western Nigeria, while the crippling oil industry strike enters its seventh week.

Mr Abiola, on trial for treason after declaring himself president, remains in custody in Abuja after Mr Mohammed Mustapha ruled that the federal high court in the capital was competent to try him for offences alleged to have taken place in Lagos, but that he himself was not.

Mr Mustapha said that he had lost the confidence of the defence lawyers and withdrew from the case.

"What he has done is judicial hara-kiri," said Mr Alao Aka-Bashorun, a leading counsel for the defence.

"He has been found guilty of mishandling the trial. If so, how can he give this ruling?

"Since his incompetence in the case preceded today's ruling it becomes null and void," said Mr Aka-Bashorun.

At a the previous hearing on August 3, the judge said he had to consult people outside the court before giving today's ruling and was promptly challenged by Mr Abiola and his defence.

The federal high court in Abuja was set up just before the case opened in July and Mr Mustapha was transferred there from a court in Benin. On August 5 the judge granted bail in the absence of Mr Abiola and his lawyers on terms which were rejected by the defendant.

"It is clear that this judge is in collusion with the government," said one of Mr Abiola's large team of lawyers after the hearing yesterday.

"The government wants a prolonged trial," Mr Aka-Bashorun said. "We are convinced that they have no evidence to convict him."

As well as undermining the judiciary, yesterday's outcome has further discredited the national leadership of the Nigeria Labour Congress. Its president, Mr Paschal Bafyau, has three times delayed or suspended a general strike in protest at Mr Abiola's detention following assurances by General Sani Abacha's regime that the deposed winner of last year's presidential poll would be released.

The oil workers' strike began unilaterally and has cut crude oil production by at least one quarter of its 2m barrels per day capacity and severely disrupted fuel distribution.

People's Alliance leaders Chandrika Kumaratunga (left) and Sirimavo Bandaranaike, her mother, arrive to vote yesterday *Reuter*

Security tight as Sri Lankans hold elections

By Stefan Wagstyl in Colombo

Sri Lankan officials were last night counting votes in the country's general election, in which the ruling United National Party faces its greatest electoral challenge since taking power in 1977.

The officials said they expected to announce most results in the race for the 225-member parliament later today when it will become clear whether the UNP will retain power or lose it to the People's Alliance, a centre-left multi-party coalition.

The elections took place amid strict security for fear of violence and fraud. Human rights groups monitoring the polls said early reports indicated the voting was mostly free of violence, although there had been sporadic fights between groups of rival supporters. Nineteen people were killed in election-related fights during the month-long campaign.

The government has imposed curfews and declared public holidays today and tomorrow to encourage people to stay in their homes and avoid large crowds.

The turnout was estimated to be high – above 80 per cent. The only exception was the country's northern province, where the Tamil Tigers, separatist guerrillas fighting a civil war against the Sri Lankan army, called for a boycott. Some 500,000 voters out of 11m live in the province.

Sri Lanka has seen unprecedented economic growth and the expansion of foreign trade and investment under UNP rule.

But many Sri Lankans have expressed concern about signs of corruption and nepotism and evidence that the benefits of prosperity are not filtering down to the poor. Some voters also believe it is time for another party to attempt to achieve a peace agreement with the Tamil rebels.

Suharto seeks to quadruple per capita income

By Manuela Saragosa in Jakarta

Indonesia aims to quadruple per capita income over the next 25 years, through industrial development, President Suharto said yesterday.

In a speech to mark Indonesia's 49th independence day he said that to achieve the target (from \$650 per capita income now) gross domestic product growth rates would have to average 7 per cent a yearagainst average annual GDP growth of 6 per cent over the past 25 years.

"The industrial sector has become the prime mover of development," Mr Suharto said. "It is industry that becomes the main vehicle for technological development which can eventually lead us to emerge as a modern nation."

A debate continues between those who want government to channel more funds into heavy industry and technocrats who argue that many of these industries would find little comparative advantage in Indonesia.

President Suharto, who has ruled over Indonesia's 14,000 islands over the past quarter century said reducing poverty would be one of the main future challenges and industrial development would help solve this.

Indonesian academics say the growing gap between rich and poor in a country of 190m people, represents one of the biggest threats to political stability. In turn Mr Suharto said political stability was necessary to ensure continuing growth.

In a reference to the recent forced closures of three leading political publications, Mr Suharto said that openness did not mean unlimited freedom. "Even democracy has its rules," Mr Suharto said. "Without rules and without their observance, what will emerge is anarchy, not democracy."

In June the government closed two popular weekly magazines, Tempo and Editor, and a weekly tabloid, DeTik, for their reporting on the debates raging between the ruling élite about the acquisition of a fleet of former East German warships. The papers were accused of ex-acerbating the debates by pitting politicians against each other.

The president said Indonesia would continue to deregulate its economy and to reduce the bureaucracy. However this "certainly does not meansetting up a liberal economic system that allows free competition," he said. Many Indonesian industries remain heavily regulated and protected largely because they are controlled by politically well-connected businessmen.

Property developers go to town in Jakarta

But their enthusiasm has led to a glut in the luxury market, writes Manuela Saragosa

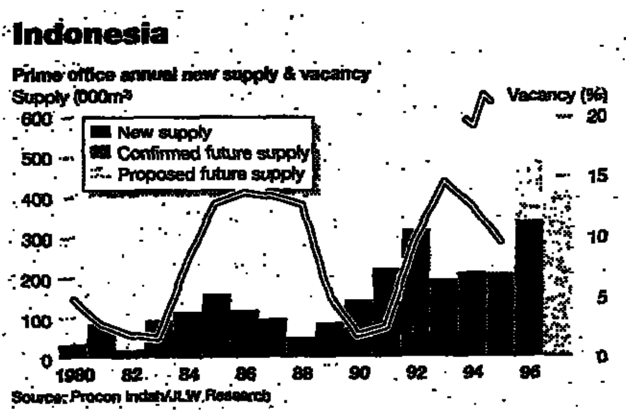
In the matter of a few years the shanty towns in centre of Jakarta have been replaced by high-rise office blocks, luxury apartments and five-star hotels, and rice paddies in the greater Jakarta area have been replaced with industrial estates and satellite towns.

The property sector has been one of the fastest growing in the country, with most of the larger Indonesian conglomerates capitalising on their land assets and jumping on the bandwagon for real-estate development.

So enthusiastic are property developers in Indonesia that they are now hoping to convince the government to approve a project involving the complete clean-up and rebuilding of Jakarta's 32km-long waterfront.

In the first six months of this year, BKPM, Indonesia's Investment Co-ordinating Board, approved about \$2.5bn worth of domestic investment projects in the construction, hotel and restaurant, housing and office sectors, which made up 16 per cent of total domestic investment approvals to July 15. Most of these projects are in and around Jakarta.

However, oversupply is setting in and Jakarta's property market looks likely to experience some hard times.



"A massive glut could occur in 1996 for office space and it could take three or four years to clear," said a Jakarta-based broker.

Office rents have already been lowered and some landlords are hoping to pre-empt any difficulties by offering existing tenants cheap rentals in an attempt to lure them into leasing more space.

Meanwhile, after the building sprees of previous years, industrial estates are finding it difficult to stir up interest in their lots. The estates were hit by a drop in foreign investment last year and some brokers point out that many are suffering setbacks because they are unable to guarantee a steady supply of electricity.

Rentals and sales of residential apartments are also slumping. An excess of supply in the luxury residential apartment market has caused the overall average occupancy rate in Jakarta to fall to 81 per cent in June from 91 per cent at the beginning of the year. This has been made worse by developers' unwillingness to reduce rental rates and the fact that "luxury" is not always an accurate description.

With the outlook for luxury apartments looking bleak, the Indonesian government is considering opening the market to individual foreign buyers. To date, foreigners have only been allowed to rent property in Indonesia. Property consultants say they expect new legislation on this within the next six months.

"A lot of developers see that if foreigners were to buy houses then demand for their property would really pick up," said Mr Craig Williams, director of PT Procon Indah, a property consultancy that works in association with Jones Lang Wootton.

However, foreigners are unlikely to buy what Indonesians will not. In its most recent survey of the Jakarta property market, PT Procon Indah noted that developers often do not meet construction schedules, workmanship is of poor quality, and materials and fittings are inadequate. Other consultants also point out that safety standards are practically non-existent.

Meanwhile, government officials complain of a continuing shortage in housing. Policy dictates that for every luxury house a developer builds, it must also construct three middle-income houses and six low-income houses. But that regulation is ignored.

Middle income housing which caters to people earning between \$1,500 and \$3,000 a month, is the only sector offering significant growth prospects, even though Indonesia's middle class is not as huge a pool of buyers as it could be.

The problem lies mainly in financing house purchases. There are no long-term interest rates in Indonesia which discourages banks from making long-term loans. The result is that most buyers of middle-income houses are speculators and this is "a class which is traditionally not as stable as first-time buyers", a Jakarta-based broker said.

Property development has been opened to full foreign ownership with the most recent deregulation package that loosened restrictions on foreign investment.

Most foreign developers, however, prefer to enter the market in a joint venture with an Indonesian company. Laws governing land titles in Indonesia are complex, with the purchase of land not necessarily confering the right to ownership. The process of acquiring land can become a messy affair and stories abound of shanty-town dwellers who have been forcibly removed and inadequately compensated for their land.

Despite the prospects, developers have commissioned a study that attempts to convince Jakarta's authorities to develop the city's waterfront into a new city centre, complete with office towers and residential housing.

At present this neglected district of Jakarta is not a pretty sight. Untreated sewage pours out into an already polluted, black and oily sea, shanty towns with little or no sewage facilities perch on the coastline, prostitutes solicit on grubby beaches at night and the area suffers from a chronic shortage of drinking water.

The project, if approved, would cost about \$20bn and would involve all the existing big waterfront developers, including Dharmala Intiland, a listed property developer.

If it is approved, it is difficult to see where financing for the development would come from. Development banks are expected to make some contribution but state-owned banks have been told to stop financing property development projects, although it is not clear whether this is being enforced.

As one property analyst says, "developers are incredibly ambitious but their expectations are not always realistic".

Japanese minister kills 'part-time' job prospects

By Gordon Cramb in Tokyo

This morning, about 2,500 young Japanese women will receive a letter containing the words which job-seekers everywhere know only too well: "Thank you for your interest. We will keep your application on file".

But the letter will arrive by express delivery and will go on to explain that Japan Airlines, whose press advertisement for contract posts as flight attendants they had answered, has been prevented by the Transport Ministry from hiring them.

JAL said yesterday it had grounded a plan to employ most new cabin crew on short-term contracts after Mr Shizuka Kamei, transport minister, argued last week this could endanger on-board safety.

The lossmaking flag carrier was aiming – along with All Nippon Airways and Japan Air System, its domestic competitors – to pay such recruits by the hour, describing them as part-timers.

Although they would normally work a full week, they would be unlikely to earn even a third of the salaries enjoyed by the career cabin staff with whom they were to share the aisles. Mr Kamei implied that such disparities would create two classes of employee who might not work together in sufficient harmony to be able to deal with an in-flight emergency.

The Japanese airline industry, where training is rigorous and the safety record good, was indignant. But faced with a threat by Mr Kamei to deny applications for new routes if carriers persisted in the plan, JAL relented yesterday and the others are expected to follow suit.

JAL, anxious to cut costs, insists the scheme has merely been put in a holding pattern while it addresses the ministry's concerns.

For Mr Kamei, who comes from the Liberal Democratic party, these worries may extend beyond safety to the effect the move would have in further eroding the system of lifetime employment – regarded by his party as a foundation of Japanese economic success under its 37-year conservative rule.

After a year out of office, the LDP is back as the dominant force in a three-party coalition headed by Mr Tomiichi Murayama. The prime minister's Social Democratic party draws much of its support from public sector unions which are also keen to retain employment protection.

JAL, privatised in the 1980s, intended to employ an initial 100 stewardesses on contract terms. Not only would they be paid much less, but if business got any worse the airline could shed them, unlike its 6,000 salaried cabin crew. Over the next four years the company is trying to reduce that number to 4,600 but cannot force any to go.

The 100 women would have been hired through a charter subsidiary in order to avoid direct wage comparisons, and would have been restricted, at first anyway, to domestic routes.

The fact that there were 25 applicants for every post indicates the high level of female unemployment in Japan as the country reaches the end of its longest post-war recession. Women graduates complain that they are again at the back of the queue for most jobs, after a period of labour shortage made more companies hire on merit. Most work on offer for them is part-time.

And at JAL now, not even that. At a televised news conference yesterday a company executive, announcing that the plan had been suspended, could only say: "We are sorry if we have brought hardship to the people who applied."

NEWS IN BRIEF

Japanese restart accident N-plant

A Japanese utility yesterday restarted a 22-year-old nuclear reactor which had been shut for three and a half years after a broken pipe caused one of the most serious alerts in the country's civil nuclear programme, Gordon Cramb reports from Tokyo.

The pressurised water reactor at Mihama, north of Kyoto, has been overhauled since the February 1991 incident which released 55 tonnes of radioactive water from the primary cooling system into the secondary system which powers its turbine. For the first time in Japan, emergency core-cooling procedures were activated to avoid a potential meltdown. The Ministry of International Trade and Industry concluded that an anti-vibration bar had been incorrectly installed. Local residents and Japan's vocal green lobby protested at the decision by Kansai Electric Power, the second largest electric utility, to restart the 500MW facility.

Japan draws about 30 per cent of its electricity needs from nuclear power supplied from 46 reactors.

● Department store sales in Tokyo fell 2.9 per cent last month compared with the previous July, their 29th successive monthly decline. The decrease, although moderating from the 3.4 per cent fall in June, came in spite of income tax cuts, summer promotions, and good weather.

The figures, released yesterday by the Japan Department Stores Association, indicate consumer demand is proving slow to revive as the country's wider economic outlook begins to brighten. However, they also reflect austerity in seasonal gift-buying by companies, and a shift among shoppers towards discount retailers which are not members of the association.

Tokyo protests to Moscow

Japan yesterday protested to Moscow after a Japanese fishing boat in disputed waters was fired on by Russian coastguards and its crew detained, Gordon Cramb reports. At the same time, Moscow launched legal proceedings against the captain of the boat that was hit by Russian gunfire off the disputed Kurile islands off north-eastern Japan on Monday. One crew member was injured in the incident.

The Kuriles were seized by the Soviet Union at the end of the second world war and their status continues to bedevil relations between Japan and Russia. In Moscow Mr Koji Watanabe, the Japanese ambassador, called on Mr Alexander Panov, Russian deputy foreign minister, to complain about the "highly regrettable shooting and seizure". Russian reports said two unmarked boats were fishing in its waters and when accosted, ignored warning shots and attempted to head for home. One was holed and was towed to a port on the islands.

Israel-PLO tax accord

Israel and the Palestine Liberation Organisation agreed to broaden Palestinian powers over taxation yesterday to allow Palestinians to finance the extension of self-rule when they take over services in the West Bank, Julian Ozanne reports from Gaza. The two sides, failed, however, to clinch final agreement on the transfer of powers in the West Bank after further talks at the Erez crossing between Israel and Gaza.

Mr Nabil Shaath, chief PLO negotiator, said the two sides agreed to add value added tax to five other powers the Palestinians will take over from Israel – education, health, social welfare, tourism and direct taxation. Mr Shaath also said Israel would start today to transfer to the Palestinian treasury 75 per cent of income tax collected from Palestinian migrant labourers working in Israel. Both moves mark significant financial concessions by Israel amid growing concern about the ability of the PLO to finance key services to a further 1m Palestinians living in the West Bank who will come under PLO administration.

● Israel and Jordan initialed an agreement to export \$30m (£19m) worth of goods to Palestinians in the occupied West Bank this year, Jordan's chief peace negotiator Fayez al-Tarawneh said yesterday, Reuter adds from Amman.

Major to visit South Africa

Mr John Major, the UK prime minister, will visit South Africa from September 20 to 22, the first visit to the republic by a British prime minister for 34 years, Reuter reports. Mr Major's office said yesterday he would meet President Nelson Mandela and other members of the South African government on a trip covering Cape Town, Pretoria and Johannesburg. Harold Macmillan was the last British prime minister to visit South Africa, in 1960. In a landmark speech in Cape Town, Macmillan warned the then-Nationalist government that the "winds of change" were sweeping the African continent as colonies were granted independence by European powers and that its policy of apartheid was out of date.

NEWS: THE AMERICAS

Public spending rises in run-up to presidential election

Mexico shrugging off recession

By Damian Fraser in Mexico City

Mexico's government has substantially increased public spending in the run-up to the presidential election on Sunday. This rise, along with growth in exports and investment, has helped the national economy recover from the recession of the second half of last year.

The finance ministry reported, in its quarterly bulletin to Congress, that public spending reached 148.6bn pesos ($43.8bn) in the first half, an increase of 11.4 per cent on the spending in the equivalent period last year. Social spending rose by 8.8 per cent while public investment climbed by 27.6 per cent, partly thanks to new federal public works projects.

The public sector is still expected by the finance ministry to show a balanced budget this year, as was originally forecast. However, the increased spending cut the public sector's budgetary surplus in the first half to 5.42bn pesos, less than half the surplus of a year ago.

The ministry said that economic growth this year has been lifted by "adequate management" of fiscal policy, and by expansion of manufacturing exports and investment. Gross investment increased by 5.9 per cent in the four months to April, while the manufacturing exports grew by 25 per cent to May. There are still no figures for economic growth in the second quarter, but industrial production increased by 2 per cent up to May.

The tentative economic recovery from the recession of last year has helped reverse the steady increase in unemployment from October 1992 until the end of last year. According to the new figures, the unemployment rate fell from 3.8 per cent of the potential workforce to 3.2 per cent in May. (Mexico's unemployment rates are kept artificially low by lack of an unemployment benefit.)

However, Mexico's trade deficit continues to be cause for concern. It is growing sharply this year, despite weak economic activity in many sectors. At the end of May, the trade deficit had reached $7.2bn, 26 per cent more than the equivalent period last year.

Unlike in 1993, the rate of growth of imports, at 19.3 per cent, exceeded growth in exports, which reached 17.3 per cent. The ministry sought to blame the deficit in part on the low oil prices in the first part of the year.

At the end of June, net domestic and foreign debt consolidated with the Bank of Mexico was equivalent to 22.4 per cent of GDP.

Iranians recall envoy in Argentina

By John Barham in Buenos Aires

Iran is recalling its ambassador to Argentina, further raising tensions between the two countries after an Argentine judge last week accused Iranian diplomats of having played key roles in bomb attacks against a Jewish community centre in Buenos Aires last month and against the Israeli embassy there in 1992.

However, Mr Fernando Petrella, Argentine deputy foreign minister, yesterday tried to defuse the crisis: "There are no such things as drastic measures in diplomacy. We are not recalling our ambassador." Mr Mario del Castillo, Argentine ambassador in Tehran, "was called back to Buenos Aires for consultations after the bombing. He is in Tehran now but will be returning to Buenos Aires in a few days." Staffing at Argentina's embassy would be halved to two diplomats, Mr Petrella said.

Judge Juan José Galeano last week issued international arrest warrants for four former diplomats at the Iranian embassy in Buenos Aires, saying they had provided support for the 1992 bombing, which killed 30 people. He also said three diplomats based in Buenos Aires had helped prepare the attack last month, which claimed 96 lives. Intelligence officials blame the Lebanon-based Hizbollah organisation for both bombings.

Iran said it would begin legal action against Argentine officials for implicating the four diplomats. State-run Tehran Radio said Iran was "determined to appeal to international judicial organisations to follow up the accusations brought against the Iranian citizens."

Israeli and western diplomats in Buenos Aires say that, although Judge Galeano's evidence against the seven diplomats is weak, they are convinced that Tehran indirectly backed both bombings through its sponsorship of Hizbollah.

The judge's main informant was an Iranian now seeking political asylum in Venezuela. Diplomats suspect he is inflating his knowledge of the affair to improve his chances of winning asylum.

Argentine President Carlos Menem appealed for calm at the weekend, after admitting that officials had over-reacted to intelligence reports from Israeli and US sources warning of the risks of a third bomb attack.

US house building shows faster rate of growth

By George Graham in Washington

The pace of new housing construction in the US picked up last month, the Commerce Department reported yesterday.

Housing starts rose by 5 per cent in July to a seasonally adjusted annual rate of 1.115m, the department said, after falling by 9 per cent the previous month.

Market economists said that the figure was somewhat stronger than had been generally expected by most analysts, but still gave indications that higher mortgage rates were taking a toll on the strength of the housing construction market.

Although the July pace of housing starts was 14 per cent higher than a year earlier, it still showed a drop of 12 per cent from the peak seasonally adjusted rate of more than 1.6m starts reached last December.

Construction of new single family homes remained relatively weak, and much of the strength in July came from multi-family buildings such as flats and semi-detached homes.

Housing starts rebounded in the west and mid-west, where they had fallen sharply in June, but declined slightly in the south and north-east.

Building permits, which can provide an advance indication of home construction trends, rose by 2 per cent in July after seasonal adjustment, after falling by 3 per cent in June. Again, fewer permits were issued for single family homes, with most of the strength in the multi-family dwelling sector.

Overall, analysts said the numbers confirmed the likelihood that residential construction would contribute little to overall economic growth this quarter.

One eye on the observers

Damian Fraser on the quest, aided by the UN, for a free and fair poll

MEXICAN ELECTIONS

Mexico about to face the most closely watched presidential poll in its history, the impartiality of the more than 32,000 electoral observers who will help assess the legitimacy of the result has come under the spotlight.

The governing Institutional Revolutionary party has long claimed that some observers are politically partisan and that their findings are not necessarily to be trusted. It points to the links between the best-known observer groups and the leftist Party of Democratic Revolution as evidence of possible bias.

However, the emergence of new observer organisations linked to the PRI has led to the opposite accusation. The PRI is alleged to have created its own observer groups as a counterweight to existing organisations, to make sure that at least some observers say the elections are clean.

The observers do not have any formal authority to qualify electoral results. But they have been given legal status for the first time ever in a Mexican election, and are allowed a free hand to scrutinise the electoral process at the country's 96,000 voting booths. They are expected to play a key role in influencing public opinion's assessment of the electoral process.

The national observers will be joined by several hundred foreign "visitors", admitted for the first time by Mexico. The visitors have much the same rights as national observers, although foreigners cannot interfere in the voting process itself.

Viva Cárdenas: Supporters of the leftist opposition candidate, Cuauhtémoc Cárdenas of the PRD, get behind their man Reuter

The debate over the observers in part reflects continued lack of trust in the electoral process, despite government efforts to reform the system.

In principle there should be few differences of opinion between the 14 main observer groups. All are being advised by a technical team from the UN, and will be using similar methodology when observing the electoral process. They have just signed a pact committing them to impartiality and objectivity when scrutinising the election.

However, party officials and the UN accept the possibility that different organisations may reach separate conclusions on the legitimacy of the process, creating at the very least confusion in the mind of the public.

"This is a concern for us," says Nguyen Huu Dong, the UN official who is advising Mexican observer groups, "but there is no solution. No one can stop observers participating. If they use a good methodology and care about their reputation we can avoid problems."

The best known observer organisation, Civic Alliance, is made up of several hundred human rights and pro-democracy groups, and is given high marks by Mr Dong for professionalism. It has been aggressive in monitoring pre-electoral conditions, criticising biased media coverage of the election and government support for the ruling party, more so than the UN would have liked.

On the day of the election, Civic Alliance hopes to have thousands of observers watching polling booths and looking out for fraud. It is organising its own "quick count" of a sample of representative polls, to make any tampering with the final result, as some suspect may have happened in the 1988 election, more difficult.

The PRI is generally mistrustful of Civic Alliance, reckoning it is too close to the leftist PRD (some members of Civic Alliance affiliates are running for Congress for the leftist PRD). Mr Fernando Lerdo de Tejada, a prominent PRI congressman, recently complained in a newspaper article that "a large number of the groups of observers are protagonists for a political party, which reduces their trustworthiness ... and raises the question whether they form part of the post-electoral strategy expressly devised by some parties".

Mr Enrique Calderón of the Alliance says: "It is legitimate to identify us with the opposition. We are observers because we are not in agreement with system."

But he firmly denies there will be any bias in reporting what volunteers see. He points out that the Alliance has received a large grant from the UN (and therefore indirectly from the Mexican government, which has funded the UN observer project).

In what some see as an effort to reduce Civic Alliance's influence, other observer groups have sprung up in recent months. The Mexican teachers' union will field about 13,000 accredited observers and, thanks to the union's deep pockets, these will be among the best organised. But this union is formally affiliated to the PRI, which makes many in the opposition suspicious of its independence.

Proceso, a news magazine, reported this week links between the PRI and the head of the National Democratic Crusade, another observer group. One of Democratic Crusade's members recently claimed in a press release: "The changes that have been made in electoral legislation and the inclusion of citizen advisers [in the electoral authorities] makes us certain that there will be transparency, legality and legitimacy in the electoral process".

US pension funds benefit from foreign holdings

By Norma Cohen, Investments Correspondent

US pension funds earned an average return of 11.3 per cent on their investment portfolios last year, outperforming US stock markets, according to a new survey.

The Wyatt Company, a leading pension and benefits consulting firm, said the performance reflected the funds' holdings of non-US stocks and bonds. The average US pension scheme held 9 per cent of its total assets in non-domestic securities. Of this, 7 per cent were in equities and a further 2 per cent in fixed income securities.

Over the past three years, US pension funds have returned an average of 14.8 per cent annually.

Of the 12 countries surveyed, pension schemes in all countries increased their weightings in equities. Malaysian funds, for instance, increased their average weighting in equities from 27 per cent last year to 62 per cent a year later.

Median balanced pension fund returns, adjusted for local currencies, were highest last year in Malaysia, where they totalled 91 per cent.

Hong Kong provided the second highest returns, and pension funds there earned an average return of 53.3 per cent. The country whose pension funds earned the lowest returns was Japan, where the average fund earned only 5.1 per cent, the survey said.

RELAXED: General Raoul Cédras, Haiti's military strongman, ignores growing US pressure as he takes a leisurely stroll outside the Haitian capital, with his wife Yannick and guards. Reuter

Colombian campaigns 'drug-free'

Colombia's prosecutor-general said yesterday an investigation had found no proof that drug traffickers financed the election campaigns this year of President Ernesto Samper and of his main rival Mr Andrés Pastrana, Reuter reports from Bogotá.

"It was not proven that money from drug trafficking reached the presidential campaigns, fortunately for Colombian democracy," Mr Gustavo de Greiff said in a radio interview.

He had launched an investigation in June after allegations, based on audio-cassette tapes, that the heads of the country's most powerful cocaine trafficking organisation, the Cali cartel, offered money to Mr Samper's campaign.

The allegations, which came only days after Mr Samper's victory on June 19 in a close contest, caused uproar in Colombia and led to severe questioning in the US of the country's commitment to the war against the global trade in illicit drugs.

The cassettes were made public by Mr Pastrana after his defeat although they also contained an ambiguous reference to drug money in his campaign.

Both Mr Pastrana and Mr Samper vigorously denied that their campaigns had received any drug money.

● Colombian Marxist guerrillas killed seven members of an anti-drug police patrol, in an ambush in a mountainous area used for growing opium poppies, a police official said yesterday.

"The guerrillas blew up the road as three vehicles carrying 36 police went past," the official said.

"They then attacked them with waves of sub-machine-gun fire and explosives." Police returned fire but there was no word of guerrilla casualties.

The attack occurred on Monday near the town of Caloto in the south-western department of Cauca.

The patrol was returning to base after a trip to seek poppy plantations.

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re : Chapter 11

TOWERS FINANCIAL CORPORATION, et al., : Case No. 93 B 41558 (PBA)
Hearing Date September 13, 1994
Debtors. : Time 2:30 p.m.

NOTICE OF HEARING ON DISCLOSURE STATEMENT

TO ALL HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE ABOVE-CAPTIONED DEBTORS:

PLEASE TAKE NOTICE that on June 30, 1994, the Official Committee of Unsecured Creditors (the "Committee") of Towers Financial Corporation, et al. (the "Debtors"), by its counsel, Winthrop, Stimson, Putnam & Roberts, filed its Disclosure Statement dated June 30, 1994 (as it may from time to time be amended, modified and supplemented, the "Disclosure Statement") with respect to its Plan of Reorganization (the "Plan").

PLEASE TAKE FURTHER NOTICE that a hearing (the "Disclosure Statement Hearing") will be held before the Honorable Prudence Beatty Abram, United States Bankruptcy Judge, at the United States Bankruptcy Court, United States Customs House, One Bowling Green, New York, New York in Room 617, on September 13, 1994 at 2:30 p.m., or as soon thereafter as counsel can be heard, to consider the entry of an order, among other things:

(a) finding that the information contained in the Disclosure Statement is "adequate information" as such term is defined in section 1125 of the Bankruptcy Code;
(b) approving the Disclosure Statement;
(c) authorizing the Committee, pursuant to section 1125(b) of the Bankruptcy Code, to transmit copies of the Disclosure Statement, the Plan and related solicitation documents (together, the "Solicitation Materials") to all known holders of impaired claims against and interests in the Debtors, and to solicit acceptances of the Plan by the holders of such impaired claims and interests entitled to vote on the Plan;
(d) granting such other and further relief as the Court may deem just and proper.

PLEASE TAKE FURTHER NOTICE that the Disclosure Statement, the Plan and the forms of Ballots are on file with the Clerk of the Bankruptcy Court (the "Clerk") and may be examined by interested parties at the office of the Clerk at the United States Bankruptcy Court, United States Customs House, One Bowling Green, New York, New York during regular business hours and copies may be obtained upon written request from Winthrop, Stimson, Putnam & Roberts, One Battery Park Plaza, New York, New York 10004, Attn: Stacey E. Nadell, Esq. Upon written request to Winthrop, Stimson, Putnam & Roberts at the aforementioned address, the Committee will provide any and all future amendments to the Disclosure Statement and the Plan.

PLEASE TAKE FURTHER NOTICE that all responses and objections, if any, to the approval of the Disclosure Statement or any of the other relief sought by the Committee must be in writing and stated with particularity and the objection MUST include, where appropriate, suggested language to amend the Disclosure Statement in a manner that would resolve the objection and be filed with the Clerk of the Court on or before 5:00 p.m. on the date which is one week before the Disclosure Statement Hearing and served in a manner so as to be received on or before that time by (i) the Chambers of Bankruptcy Judge Prudence Beatty Abram (courtesy copy), United States Bankruptcy Court, United States Customs House, One Bowling Green, New York, New York 10004; (ii) the Office of the United States Trustee, 80 Broad Street, Third Floor, New York, New York 10004, Attn: Brian Masumoto, Esq.; (iii) Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, New York, New York 10004, Attn: Terrence A. Corrigan, Esq.; (iv) Winthrop, Stimson, Putnam & Roberts, One Battery Park Plaza, New York, New York 10004, Attn: Richard L. Epling, Esq.; (v) United States Securities and Exchange Commission, 7 World Trade Center, 13th Floor New York, New York 10048-1102, Attn: Dorothy Heyl, Esq.; (vi) Schulte, Roth & Zabel, 900 3rd Avenue, New York, New York 10022, Attn: Mark A. Neporent, Esq.; and (vii) Clark, Klein & Beaumont, 1600 First Federal Building, Detroit, Michigan 48226-1962, Attn: Michael S. Khoury, Esq.

PLEASE TAKE FURTHER NOTICE THAT IF ANY OBJECTION TO THE DISCLOSURE STATEMENT OR ANY OF THE OTHER RELIEF SOUGHT BY THE COMMITTEE IS NOT FILED AND SERVED STRICTLY AS PRESCRIBED HEREIN, THE OBJECTING PARTY WILL BE BARRED FROM OBJECTING AND WILL NOT BE HEARD AT THE HEARING.

PLEASE TAKE FURTHER NOTICE that upon approval of the Disclosure Statement by the Bankruptcy Court, known holders of impaired claims against and interests in the Debtors will receive a copy of the Disclosure Statement, the Plan, and various documents related thereto.

PLEASE TAKE FURTHER NOTICE that the Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by an announcement in the Bankruptcy Court of such adjournment on the date scheduled for the Hearing.

Dated: New York, New York
July 12, 1994

BY ORDER OF THE BANKRUPTCY COURT
HONORABLE PRUDENCE BEATTY ABRAM
United States Bankruptcy Judge
United States Bankruptcy Court
One Bowling Green
New York, New York 10004

WINTHROP, STIMSON, PUTNAM & ROBERTS
Attorneys for the Official Committee
of Unsecured Creditors of
Towers Financial Corporation, et al.
Attn: Richard L. Epling, Esq.

PERSONAL

Unions accuse Sony under Nafta accord

By James Harding in Washington

US and Mexican labour organisations yesterday filed a complaint against Sony Corporation, the electronics multinational, for alleged violations of worker rights at the company's plants in Mexico.

The complaint was filed under a side agreement to the North American Free Trade Agreement which provides for the monitoring of labour law enforcement. It is the first to relate to labour rights violations alleged to have occurred since the signing of the accord.

The case is being seen as a test of the Clinton administration's commitment to the agreement's legal provisions for ensuring equivalent rights for workers in all three countries of Nafta.

The International Labor Rights Education and Research Fund (ILRERF), a non-profit human rights and labour organisation, in association with two pro-democracy lobbies in Mexico, is accusing Sony of obstructing free association of its workers.

They allege that Sony maintained surveillance on active unionists, fired a number of workers who went on strike and pressured employees to work on national holidays. The complaint also alleges that Sony has violated the Mexican Federal Labor Law and criticises the Mexican government for failing to enforce applicable labour laws which guarantee freedom of association and limit hours of work.

ILRERF is calling on the US National Administrative Office to hold public hearings and an on-site investigation of Sony's operations.

Under the complementary arrangements of Nafta regarding labour conditions, the US cannot impose sanctions to guarantee labour law enforcement, but can review cases and inform their free trade partners when they perceive infringements of worker rights.

Sony, which employs 2,000 people at its Nuevo Laredo plants denies any wrongdoing. Observers say Sony may be caught in a domestic political conflict between the Confederation of Mexican Workers, the government-linked union, and workers who wish to establish an organisation independent of the ruling party.

The Mexican government has not informed Sony of any violation of labour laws, Sony said. A government spokesman declined comment before the complaint was filed.

Brazil and Bolivia seek to clinch gas pipeline accord

Presidents Itamar Franco of Brazil and Gonzalo Sánchez de Lozada of Bolivia yesterday met to seek a final agreement on a \$1.8bn gas pipeline to be built from Bolivia's extensive natural gas fields to Brazil's industrial south, writes Angus Foster in São Paulo.

The pipeline is expected to go ahead but agreement on the shareholdings in the project, and its timing, was still being discussed yesterday, after a delay for negotiations over the price Brazil should pay for Bolivian gas.

The project, under discussion for 18 months, was advanced at the weekend when Petrobrás, the Brazilian state-owned oil and gas company, announced it had chosen the BTB consortium as its main partner for the project. BTB is a joint venture of BHP, Tenneco and British Gas.

Under the Brazilian constitution, Petrobrás is obliged to retain control of oil and gas ventures in the country, and is guaranteed a 51 per cent shareholding. The remaining 49 per cent is to be split among BTB, a consortium of Brazilian private companies expected to hold 9 per cent, and Bolivia's state oil company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB).

YPFB was due to hold 4 per cent of the venture but now wants more. This is likely to be opposed by BTB and Petrobrás, which hopes a significant third-country shareholding will help raise finance for the project.

Bolivia is also thought to want to renegotiate the price accord. When this was signed in February last year, Brazil contracted to buy 8m cubic metres of gas a day, rising to 16m cubic metres in seven years. Bolivia now wants either a higher price or more consumption by Brazil.

Sánchez (left) and Franco: Sharing problem

A Brazilian official described the requests as "negotiating ploys" not threatening the overall project.

Once the shareholdings are agreed, the partners will conduct detailed feasibility studies and seek about \$800m in international finance.

India fumes at US 'flammable' skirt ban

By Shiraz Sidhva in New Delhi

The Indian government yesterday said it would seek a lifting of the US ban on the import of Indian rayon-cotton textile skirts, imposed because they were "dangerously flammable".

Indian exporters have reacted with dismay to last week's decision by the US Consumer Product Safety Commission to recall more than 250,000 skirts, in the biggest ever recall of clothing.

India exported more than Rs1bn (\$31.8m) worth of the skirts to the US last year, and no accidents have yet been reported.

The Indian government yesterday told parliament it would convene a meeting of exporters this week in an effort to get the ban lifted. The meeting is not expected to consider ways of making the skirts less flammable.

The commission claimed the skirts, which sell for between \$6 and \$80, "burnt faster than newspaper".

However, Indian exporters describe the ban as "inexplicable". "We cannot fathom why they have clamped down on only Indian rayon skirts when China, Korea and Hong Kong also supply the same fabrics," says Ms Manju Dhingra, director of Orient Craft, a Delhi-based garment export house, which sells to leading fashion stores across the US, including Gap. Asked whether the skirts could be treated to become less flammable, she said: "The basic element of the fabric cannot be changed."

US Customs last month held up a consignment of the skirts, objecting to their inclusion under the "folklore" provision of a bilateral agreement with India, which allows for non-quota imports. US officials said the skirts did not conform to the traditional Indian "ghagra" skirts, because most of them had elastic waistbands. However, they later accepted Indian arguments that the waistbands were a "modern convenience" and the skirts were released without the imposition of quotas.

Indian commerce ministry officials say the timing of the ban, so soon after the US Custom's objection, makes it difficult to believe that consumer safety is the only reason for the ban. "This seems like an attempt to impose non-tariff barriers, with the US specially targeting India," said an official.

Textile importers and retailers in the US have also expressed dismay at the ban and are sceptical about whether skirts from other countries have also been tested.

Putting the spark under reforms

Stefan Wagstyl and Shiraz Sidhva on attempts by the Indian government to attract foreign investment into building a power sector necessary for the country's economic modernisation

Free electricity is one of life's few blessings for slum dwellers in Shahdara, east Delhi. It is easily obtained by scrambling up an electricity pole and attaching a wire to the overhead mains. Occasionally, someone gets electrocuted in the process, but not often.

Electricity board officials turn a blind eye to such pilfering, which happens all over India. The effort of collecting payment from slums is not worth the revenues.

Also, decades of socialist thinking have encouraged many Indians to regard the mostly state-owned electricity distribution boards as welfare agencies. Farmers in Karnataka state, south India, pay just 5 per cent of cost for their current. In neighbouring Tamil Nadu they pay nothing.

The result is chronic losses for the industry and frequent power cuts for consumers thanks to electricity shortages.

However, the government of Mr P V Narasimha Rao, the reform-minded prime minister, is now committed to overhauling the industry, recognising that without improved electricity supplies, the economic modernisation programme launched in 1991 will grind to a halt.

After years of relying on state-owned industry, Mr Rao is calling on private companies – including foreign groups – to build and operate 100 per cent privately-owned power plants.

But business has so far been slow to respond. Mr P V Rangayya Naidu, minister of state for power, yesterday told parliament that 75 investors, including 35 from overseas had submitted proposals to the government to invest Rs1,041.52bn (\$33.6bn) to build and operate power stations with a total capacity of more than 20,000MW. But only four small-scale plants with a combined capacity of 1,300MW are under construction, all by Indian-owned companies; four large projects totalling 8,000MW and involving foreign capital, have been approved by the government, but none is yet under way.

Businessmen have responded cautiously to the proposals, partly because of the huge scale of the investments and partly because of doubts about the government's ability to overhaul the industry's anti-commercial practices. Even though ministers in Delhi are committed to reform, many local politicians, who use cheap electricity to buy farmers' votes, are not.

Mr S V Joshi, director of power distribution at the Indian affiliate of Siemens, the German engineering group, says: "It took the US 10 years to switch from public to private sector power generation. India can't do it in two or three."

The government's 1992-97 economic plan calls for the addition of 31,000MW of public sector generating capacity to the existing total of 78,000MW (which includes 9,000MW from private plants). The public sector does not have the funds to fulfil the plan.

With a large power station costing \$1bn or more, the only viable way for private companies to fund such projects is to split the cost between different equity partners and lenders, including multilateral institutions such as the World Bank.

Enron, the US energy group, is planning a \$2bn plant for Maharashtra state to supply Bombay – perhaps the furthest advanced of the schemes involving foreign capital. Enron is considering asking lenders for about 80 per cent of the funds, with the remaining 20 per cent equity split between three partners – Enron, the Maharashtra State Electricity Board and General Electric, the US engineering group which would supply much of the equipment. Mr Tom White, chairman of Enron Power, Enron's power generation subsidiary, says raising the money is "quite a challenge".

The World Bank, the multilateral lending agency which has funded much of India's existing power capacity, has said it will support schemes involving private companies. Officials believe public sector boards are generally poor managers - Indian power plants run at an average of 60 per cent of full capacity and 23 per cent of output is lost during transmission.

The Indian government has proposed contracts which would allow generating companies to pass on increases in fuel costs (the main variable cost) and earn a minimum net annual profit of 16 per cent.

But most foreign companies say this is not enough. They are asking for central government guarantees that they will be paid by the state-level electricity boards, which are the main distributors.

The companies are worried because the electricity boards are controlled by local state governments, which use electricity supply as a political tool. The boards make huge losses because they are unable to charge market rates since politicians manipulate rate increases to protect their constituents, especially farmers.

The central government had ruled out guarantees, saying the answer lay in water-tight legally enforceable contracts, but last month, a visiting US delegation headed by Ms Hazel O'Leary, US secretary of energy, convinced the government that few foreign investors would be willing to enter the Indian power sector without counter-guarantees. The government agreed to reconsider its earlier decision, and announced on Friday that the Enron project would be the first to receive a guarantee agreement, valid for the 12 years that the company is servicing its loan obligations. Enron had sought a 25-year guarantee period.

The government's decision has, nonetheless, paved the way for guarantee facilities for six other power projects with foreign investment, in Andhra Pradesh, Orissa, Tamil Nadu and Karnataka.

The cabinet also approved guidelines to enable more of the state electricity boards to qualify for government guarantees. The boards and the states in which the power plants are being built will need to prove that they are financially healthy, and the project's financial plans will be closely monitored by the government's Power Finance Corporation.

The ministry is considering further incentives to tempt foreign companies. Officials also point to the success of the four Indian private companies in the industry – the Bombay Suburban Electric Supply Company, the Calcutta Electric Supply Company, Ahmedabad Electricity and Tata Electric Companies. All are profitable and most are expanding capacity. As Mr Joshi of Siemens says: "This proves India can do it."

Fresh row with Brussels over jobs

By Kevin Brown in London and David Gardner in Brussels

A fresh row over disabled workers blew up between London and Brussels yesterday after the European Commission denied British claims that it had questioned the legality of the UK's priority supplier scheme last week.

The dispute broke out as government officials in London admitted they had failed to alert ministers to changes in European Community law on priority suppliers which threatened assistance given to disabled workers.

British officials disclosed on Monday that Mr Martin Bangemann, EU industry commissioner, had written to Mr Douglas Hurd, foreign secretary, to inform the UK government that the Commission was investigating the legality of the scheme.

The disclosure was intended to undermine claims by the Commission that it was unaware of legal problems caused by an EU directive on public procurement which took effect in June.

Mr Michael Portillo, employment secretary, withdrew government departments from the scheme last week, after receiving legal advice that it was incompatible with the directive.

Commission officials conceded that Mr Bangemann had written to Mr Hurd, but emphatically denied that the letter was connected to the priority scheme. However, the foreign office said Mr Bangemann had specifically confirmed the Commission's doubts about the legality of the scheme, which allows companies employing mainly disabled workers a chance to make a second bid for government contracts to match the winning tender.

The letter, signed by Mr Bangemann on Friday, is mainly concerned with the Commission's dismissal of a complaint under EU competition legislation against a company which lost a government contract to Remploy, one of the biggest employers of disabled workers.

But it continues: "The Commission would draw your attention to the fact that this decision does not prejudice its position regarding the priority supplier status granted to Remploy by the UK authorities, which it is currently examining to establish whether it is compatible with the rules relating to public procurement."

The admission that the Commission was examining the legality of the priority scheme last week appears to demolish its claim that it was unaware of the UK legal problem until Mr Portillo announced the withdrawal of government support on Thursday.

However, Commission officials continued to maintain that the UK had at no point contacted it about any incompatibility between the scheme and the directive. "The directive was never intended to force changes in any member state's social legislation, much less in programmes for the disabled," a Commission official added.

Britons use more classroom calculators

British school pupils lead the world in their use of calculators, UK government education inspectors said yesterday, *John Authers writes.*

In England, 87 per cent of primary schools not only permit the use of calculators, but also provide them to their pupils. Asian countries are far more strict. In South Korea, no primary schools provide their children with calculators, while 55 per cent ban their use altogether.

Findings by the National Institute of Economic and Social Research published last year showed English pupils scoring an average of 59.5 per cent in standardised international mathematics tests, while Korea and Taiwan, where only one per cent of primary schools provide calculators, both scored 73 per cent.

The inspectors said schools should consider whether they were allowing children to use calculators too much in their report, which found widespread shortcomings in the teaching of maths and science.

In South Korea no secondary schools give their pupils access to calculators, while 35 per cent bar their use. Similar policies are followed by 21 per cent of Swiss schools, and 14 per cent of US schools, but by no English schools.

London's Science Museum has installed a virtual reality machine which allows visitors to test their skills as drivers of the Channel tunnel shuttle train. The software, written by Virtuality Entertainment Ltd., coincides with an exhibition celebrating the first fixed link across the channel. Eurotunnel driver Steve Baker was among those trying out the equipment yesterday Picture: Trevor Humphries

Rolling contracts at top companies

By William Lewis

Almost half of the UK's 100 largest listed companies have directors on three-year rolling contracts, in contravention of practices recommended by leading investment institutions. A Financial Times survey shows that 44 of the FT-SE 100 companies still have these contracts, which can impose huge compensation costs when directors resign or are dismissed. They include Royal Bank of Scotland, Royal Insurance and Unilever, where 13 directors are on three-year rolling contracts. Institutional concern about the potential costs of such contracts has recently been echoed by Mr Michael Heseltine, the trade and industry secretary.

Earlier this week, Reed Elsevier, the Anglo-Dutch publishing group, disclosed that it had agreed to make severance payments worth £2.02m to Mr Peter Davis, its former co-chairman who resigned in June. Mr Davis was on a three-year rolling contract.

In recent weeks, however, a number of companies have revealed that they have amended their directors' contracts. British Gas is the latest company to have cut its contracts to two years, including that of Mr Cedric Brown, chief executive.

In another move to reduce the potential financial costs of dismissing a director, BAT Industries, the tobacco and financial services group, has inserted an unusual clause in all its directors' contracts.

It obliges any director leaving the company to take all possible steps to find new employment "commensurate with your standing and expertise". Failure to do so could reduce the size of any pay-out.

Britain in brief

Latest PSBR buoys state of finances

The UK's public sector borrowing requirement fell to £1.1bn in July, indicating that the government is having success in keeping tight control of its spending programmes.

Many analysts are now convinced that the full year borrowing requirement for the financial year 1994-95 will fall short of the Treasury's £36.1bn forecast. Estimates of the likely deficit now range between £30bn and £34bn.

The improved public financial position increases the chances that the government might be able to make tax cuts ahead of the next election. But analysts warned that the government would be unwise to announce cuts in the forthcoming November Budget.

"We would be concerned about such tax cuts unless they were funded by clear cuts in public expenditure since the better than expected PSBR outlook owes much to economic growth being stronger than official forecasts" said Mr Adrian Cooper, UK economist at James Capel. "In these circumstances, tax cuts not matched by spending cuts would only fuel already robust demand growth."

Cost of flying flag

The British embassy in Paris cost £16.7m to run in 1992-93, including £359,000 on entertainment. The second most expensive embassy was Tokyo, at £14.5m including £293,000 on entertainment.

The figures, in a parliamentary written answer, show Washington next, with a total cost of £13.3m, including a £242,000 entertainment bill.

Other embassy running costs were Rome, £7.1m (£89,000 on entertainment); New Delhi £6.3m (£55,000); Moscow £5.1m (£102,000) and Brussels £3.6m (£50,000).

The Paris embassy employs one butler, one cook and 15 other staff, Tokyo has one butler, three chefs and 10 other domestic staff, Washington has 20 domestic staff including a butler and three cooks and New Delhi's 20 domestic staff include three cooks.

The Foreign Office said: "Entertaining is an essential tool of the diplomatic trade and is used as a means of building and maintaining a wide range of contacts – that is among officials, all opinion formers and businessmen, promoting our country's efforts overseas."

Soccer fans reveal wages

Thirty per cent of supporters of the main football teams in England earn more than £20,000 and almost one in ten more than £30,000, higher proportions than for the population as a whole, according to a survey.

The report was compiled from the views of over 10,000 fans polled last season by researchers at Leicester University for Carling, sponsor of the FA Carling Premiership.

Clubs with the most female support are Sheffield Wednesday, with 20 per cent, closely followed by Norwich City and Ipswich Town. However, only about 1 per cent of the sample described themselves as non-white and just over a quarter of fans had heard racism near them during 1993/94, though most felt racism was declining.

Air operator loses certificate

Orient Air, a company which ran services from Staverton airport, Gloucestershire, to the Channel Islands has had its air operators' certificate suspended by the Civil Aviation Authority at its own request.

Big companies use schools

Recruitment of school-leavers by large UK companies has more than doubled this year, according to a new survey of graduate and professional salaries.

The report, produced by Hay Management Consultants, also provides further evidence of a recovery in graduate recruitment, although this is much slower.

It said that companies had increased their median average number of recruits with only A-level qualifications or equivalent from four last year to nine this year. For university graduates, the rise was from nine to 10, accompanied by a rise in starting salary of slightly more than three per cent. The survey covered 127 organisations.

48-hour rail strike called

The RMT transport union announced a further 48-hour stoppage by its signal workers for immediately after the August bank holiday weekend. It will last from noon on Tuesday 30 August to noon on Thursday 1 September.

This follows next Monday's 24 hour disruption planned to run from midnight on Sunday. Mr Jimmy Knapp, the RMT's general secretary said his executive had announced the new strike dates to "dispel public doubts" that the union might disrupt travel during the holiday period itself.

Shadow toll schemes named

Details of the first road schemes to be financed and built by the private sector in return for the payment of "shadow tolls" by the government are expected to be announced today.

Under this initiative motorists will not pay tolls but the companies which build and manage the roads will be paid by government according to the number of vehicles which use a stretch of road.

Private companies will design new sections of road, ensure they are maintained to a set standard and even arrange to clear snow in winter.

The government's ultimate aim is to move to a system of real tolls whereby motorists pay directly for the use of motorways. It is currently testing electronic tolling systems with the aim of introducing motorway charging sometime after 1998.

Ministry denies 'nuclear graveyard' claims

Britain's Ministry of Defence has denied claims by the Labour opposition that it plans to turn the Rosyth naval dockyard in Scotland into a "graveyard" for decommissioned nuclear-powered submarines, *Kevin Brown writes.*

Mr Gordon Brown, the shadow chancellor, said that leaked government documents showed that seven obsolete nuclear submarines were to be dumped at the yard. Mr Brown, whose Dunfermline East constituency includes Rosyth, said that safety regulations were to be relaxed, leaving the area without proper protection.

He said that plans to move the navy office responsible for nuclear safety to Faslane, on the Clyde, and to base tugs used for moving submarines at Devonport were "completely unacceptable".

The MoD said that no decision had been made to lay up nuclear powered submarines at Rosyth, and denied that the relocation of the navy office would affect safety.

"Laid-up nuclear-powered submarines present no hazard to the general public or the dockyard workforce," the ministry added.

Seven nuclear-powered boats are currently laid up, four at Rosyth and three at Devonport. A further four are expected to be decommissioned by the end of the century. The radioactive spent fuel and nuclear cores are removed from decommissioned boats and the hulls are sealed while the level of radioactivity in the reactor compartments declines.

No desert to litter with Navy's hot hulls

Bernard Gray considers the range of options for the final disposal of nuclear-powered submarines

A curious and surreal fate awaits US nuclear submarines. The boats designed for the deep oceans of the world end up buried in the American desert, which is considered the safest place to allow their radioactivity to decay naturally.

Britain has no desert in which to bury its retired submarines and so they languish in the two nuclear dockyards, Devonport in Plymouth and Rosyth in Fife.

There are seven boats at the two yards. The hunter-killer boats Dreadnought, Swiftsure and Churchill with the Polaris nuclear missile boat Revenge are at Rosyth, while hunter-killer boats Courageous, Warspite and Conqueror, the submarine that sank the Argentine cruiser Belgrano, sit mournfully side by side in an unused dock at Devonport.

The government's policy on the boats is to do nothing for the time being.

Each submarine has had its highly radioactive fuel and nuclear cores removed and sent to British Nuclear Fuels for storage and eventual disposal. The hulls are sealed and the reactor compartments – radioactive as a result of long exposure to the nuclear cores – are being allowed to cool down over a period of years.

Since the risks and costs of sawing up the hulks will be lower once some of the radioactivity has decayed, the government argues that there could hardly be a better place for the reactor compartments than inside the strong pressure hulls of the submarines.

The Ministry of Defence said: "There is no urgency. With the cores removed most of the radioactivity has gone and the remaining radioactivity continues to decline."

The policy of laying up the boats where they are decommissioned is likely to result in a sizeable flotilla at both Rosyth and Devonport over the next few years. Eleven nuclear submarines – including all four Polaris boats – will have been decommissioned by the end of the century. If normal practice is followed the Polaris boats will go to Rosyth, where all of their maintainance work has been carried out.

While the MoD is content to play it cool, the options for final disposal are very limited. The boats cannot be scuttled at sea because that would violate the international moratorium on nuclear dumping.

Burial whole in a dry-land site, which would prevent the radiation leaching into the water table, is difficult in a crowded and notoriously wet island.

The remaining option is disposal in the nuclear waste repository which is planned by the government, but which has yet to get approval and will not be available until 2005 at the earliest.

Even that would require the radioactive compartments to be cut up, an expensive job that the MoD is understandably in no hurry to start.

As a result, Rosyth, Devonport and all of their potential users are likely to have to get used to the sight of disused nuclear submarines.

No more a-roving: HMS Dreadnought, the navy's first nuclear-powered hunter-killer submarine

MANAGEMENT

Vanessa Houlder reports on the sleuthing skills of the EC's competition division

The price police

It was more than 200 years ago that Adam Smith, the classical economist, penned his famous dictum that "people of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices".

A number of examples over the past decade suggest his comment is as valid now as then. Last month a group of carton-board producers were fined record sums after forming what the EC described as Europe's "most pernicious" price-fixing cartel.

The meetings of the "massive" 19-strong cartel were disguised as social events of an ostensibly legitimate association known as the Product Group Paperboard. These meetings usually took place in Swiss hotels, and occasionally in Nice or Barcelona, to lend credence to the idea of a social gathering.

In 1987 a group of North Sea supply boat operators were accused of running a price-fixing cartel, known as the Coffee Club because its alleged meetings took place in the guise of coffee mornings.

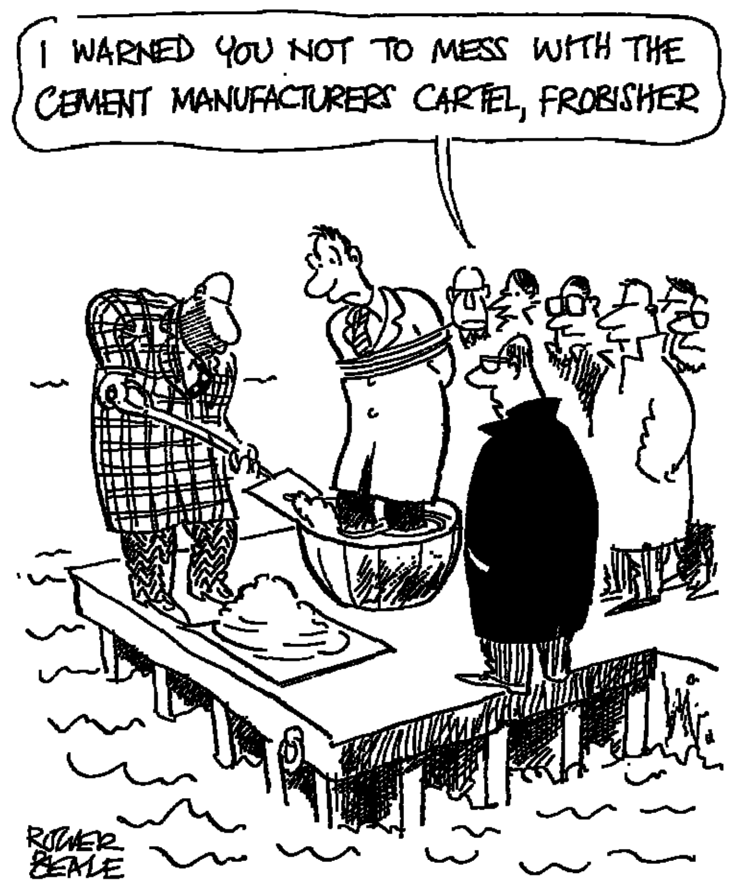
At about the same time, a group of Manchester glass merchants were meeting in private rooms in airport hotels to agree prices. A few years earlier a pub in Newbury, Berkshire was the meeting point for managers employed by some of Britain's biggest concrete companies who used to discuss how to carve up markets in neighbouring Oxfordshire.

As well as proving Smith's point, these cases illustrate a central problem facing the competition authorities. Although there may be ample grounds for suspicion, how can they prove that companies have agreed to rig the market? If people from the same industry discuss illicit agreements at, say, a trade association meeting or an industry conference, what proof is there that the law has been infringed?

Interviewing staff or examining documents seized after unannounced inspections of companies may yield incriminating evidence. In some instances, carelessness may play into the officials' hands – for example, documents about a PVC cartel were left on an office window sill by an employee of ICI, the UK chemicals group.

Frequently, however, it requires the skills of a sleuth to prove that illegal price-fixing has actually taken place. Many cartels cover their tracks effectively. The carton-board producers, for example, concealed their activities by drawing up bogus minutes of meetings.

"It is extremely difficult to get evidence of any collusion," says one observer. He likens the problems faced by the European Commission's competition division to those of the US agents who managed to bring down Al Capone, the Chicago gangster, on tax evasion.



Not surprisingly, trade associations can be a focus of suspicion for competition authorities. In many cases the origins of trade associations lie in the enforcement of price-setting agreements, in the years when they were legal. To a suspicious eye, the associations still provide a convenient cover to discuss pricing.

"It is clear that the Commission has a jaundiced view of trade associations," says one association official. "They believe that an organisation which exists to promote that industry has the capacity to orchestrate the things that go on."

He adds, however, that in many ways trade associations are unlikely media for cartels. "The last thing that companies want is a trade association official being there. If they were going to do anything they would do it on the telephone."

The subject of pricing is particularly likely to crop up in commodity-type industries. Ian Blakey of the British Iron & Steel Producers Association says it is sometimes necessary to stop conversation drifting towards the subject of price. "You have to be strict with the members. You can talk about market conditions but discussion of prices is not on. People know the rules."

Frequently, however, it is not flagrant discussion of prices that causes the problems. Trade associations can run into difficulties by exchanging statistics, selling products overseas collectively and establishing industry standards.

The exchange of statistics has proved a thorny issue for the Agricultural Engineers Association. In 1989 the European Commission took exception to its system of collating and supplying information on UK tractor registrations. An appeal concerning the Commission's move is due to be concluded next month.

The Commission said that the system revealed too much detailed competitive information. However, some tractor makers believe that the Commission's real concern about associations' statistical systems is that they are a way for an industry to police the workings of a cartel. If the Commission wins the appeal case, it is thought possible that it will take action against the statistical systems run by some 22 other trade associations.

The wide scope of the competition authorities' interests demonstrated by this example shows that it may be possible to get unwittingly into difficulties. This raises problems for associations and companies alike.

There are pitfalls for the unwary. Senior executives may be unaware of what their subordinates are doing. "It can be middle management who unbeknownst to the board get the firm into difficulty," says Sue Hankey of lawyers Cameron Markby & Hewitt.

The excuse is sometimes ignorance. Not everyone realises, for example, that the exchange of information between competitors is illegal. "A problem with sales people is they don't always realise they are infringing any legislation," says Richard Spiller of lawyers D. J. Freeman.

But the competition authorities are not impressed by pleadings of innocence. Companies need to show they have done everything possible to comply with competition law. Smiths Concrete, accused of taking part in a concrete cartel, appealed successfully against a fine on the grounds that it had taken all reasonable steps to prevent staff from taking part in unlawful agreements.

The heavy fines imposed by the Commission, which has the power to fine offenders up to 10 per cent of their worldwide annual turnover, has concentrated the minds of senior management on these issues. Organisations increasingly feel the need to be seen to comply with both the letter and the spirit of competition law.

Adrian Furnham wonders why business schools use modern parables to teach their students

Aesop's business legacy

Organisations, like individuals, have one thing in common: they are all different. Each company is unique even if its products are not.

If this is true, why do students of business try to learn from case studies? Can general principles be grasped by looking at unique examples? Are case histories just entertaining stories of business success and failure or the Aesop's fables of the 20th century?

Business experts and textbook authors are aware of the appeal of the case history. With the zeal of an evangelical preacher, US business gurus such as Tom Peters tell stories of how, often by making the most simple changes, organisations were saved from bankruptcy and their employees from redundancy.

Less attractive, perhaps, are the smug autobiographies by millionaires recounting their own "tea-boy to managing director" tale.

Many best-selling business books are simply a catalogue of interesting and unusual case histories which are used to illustrate a specific point.

Business textbooks also often use case studies to illustrate what they teach.

For scientists and social scientists alike, the idea of teaching by parable is bizarre. Does management science have no facts, formulae or theories which can be taught by conventional methods? Physics and mathematics have their axioms; but the principles of management science are constantly changing.

Advocates of teaching with case histories argue that the system has specific benefits. First, case studies are realistic and highly relevant. They are not abstract and not based on jargon. Students can easily identify with the everyday examples from the real world. Second, the stories are much more memorable than dry formulae.

Third, and perhaps paradoxically, the ambiguities in a business case study can be its strength as a learning tool. Just as biblical parables have kept theologians busy for two millennia with arguments about the precise meaning of a story, so the case study encourages participation by provoking different interpretations and points of view. Alternative insights, solutions and implications can be evaluated and debated.

The case study's complexity makes it difficult to analyse exhaustively, and in this sense it mirrors the real business problems the students will confront later in their careers.

Finally, students using case histories not only have to generate different interpretations but they have to argue and compete for their perspective. In this way this method of teaching can help develop an ability to marshall evidence in support of a particular explanation.

Critics of the case study approach to teaching see management science as having no facts or theories. What they forget is that medical students – for better or worse – use case studies for all the above reasons. It could be argued that lawyers are educated exclusively through the case study. Business people, like lawyers, are encouraged to draw abstract principles from specific case histories.

v

European Case of the Year

Insead and IMD, the Continent's leading business schools, have dominated 1994's European Case of the Year Awards.

These bouquets are handed out by the European Case Clearing House, the world's biggest source of management case study material with offices at Cranfield University in the UK and Babson College in the US.

Decided by the number of new users of each case study – considered a more objective method than a panel of judges – the awards acknowledge the contribution of the growing band of European authors. European schools are often criticised for relying too heavily on North American case material.

This year's overall winner, for the second time in the four-year history of the event, was Sumantra Ghoshal of Insead (who has recently been appointed to a new chair at the London Business School). Written in 1992, his case concerns the special problems and challenges of managing a professional service firm (Andersen Consulting Europe).

Presentations were made to the 12 authors of the most successful case studies in six management sub-categories (accounting, control and business environment; finance; policy and general management; human resources/organisational behaviour; marketing; production and operations management). Insead achieved three category winners, IMD two category winners and four runners-up.

The only UK success was Andrew Brown of Nottingham University (previously of Manchester Business School) who triumphed in the Policy and General Management section for his study of managing change in Britain's National Health Service.

"Cases don't attract the same attention as scholarly research even though they require a lot of work and skill," says Jeff Gray, director of ECCH. "That is why it is important to have a mechanism for recognising them."

ECCH, set up in 1973, is a non-profit company with charitable status and 325 member organisations. It gathers case materials from worldwide sources – it now has 13,000 titles spanning all aspects of management – and provides facilities for their selection and examination.

Apart from business schools, Gray says that the ECCH attracts companies and firms such as IBM, Shell and Ernst & Young with their own management development activities.

Tim Dickson

ECCH, Cranfield University, Cranfield, Bedford MK43 0AL. Tel: 0234-750903, Fax: 0234-751125.

BUSINESS AND THE ENVIRONMENT

Virginia Marsh on Romania's bid to save a damaged delta

Watch on the Danube

The World Bank is this month due to grant Romania $4.5m (£3m) to help preserve the Danube delta, Europe's largest remaining wetland and one of its most important wildlife sanctuaries, which is under increasing threat from industrial pollution.

After years of mismanagement under Romania's former communist regime, the delta's unique ecosystems are being destroyed by the pollutants and waste accumulated by the River Danube on its 2,700km journey through the industrial heartland of Europe.

The delta covers 580,000ha in eastern Romania and southern Ukraine where the Danube splits into three main branches and enters the Black Sea.

For centuries, it has provided a sanctuary for rare birds, fish and wildlife, as well as for persecuted human beings.

It is home to more than 75 species of fish, rare mammals such as the European mink and wild cat, and an estimated 300 species of birds including Dalmatian pelicans, pygmy cormorants, red-breasted geese, glossy ibis and several kinds of egret and heron.

Its few thousand human inhabitants are mainly descendants of ethnic Ukrainians and Russians driven out of tsarist Russia in the 17th and 18th centuries because of their religious beliefs. In 1991, Unesco (the United Nations Educational, Scientific and Cultural Organisation) added the delta to its World Heritage list.

But the region is more than just an area of beauty and environmental interest.

"The delta is a natural buffer between the Danube and the Black Sea," says Irina Luca, project officer for the World Bank in Bucharest.

"Its vegetation filters out pollutants and purifies water from the river before it enters the sea. This is very important given the high levels of pollution already found in the Black Sea."

One of the first acts of Romania's post-communist government in 1990 was to halt all building and land reclamation projects in the delta, to designate the region a protected biosphere area and to set up the Danube Delta Biosphere Reserve Authority to administer it.

The World Bank grant, made from its Global Environment Facility, will be used to reverse some of the damage done in the past 50 years and to strengthen the authority, which is based in the port of Tulcea where the delta begins.

Fishing on the Danube delta

One aim of the five-year project is to restore reed banks and land reclaimed by the communists for agricultural use to their natural state. Reeds, which cover about one-third of the delta, are particularly important – it is in compact reed banks that water from the Danube is trapped and filtered, says Grigore Baboianu, the authority's executive director.

The country's former rulers saw the reeds as a cheap source of cellulose for paper manufacturing. In the 1950s, plans were drawn up to harvest half a million tonnes a year from the delta. Although this target was never reached, Baboianu says large areas of reeds were destroyed or damaged by heavy harvesting equipment.

Another important aim of the project is to prevent further damage to the delta.

Around one-third of the World Bank grant will be used to strengthen the authority's supervisory and administrative functions.

A law passed last December gave it wide-ranging powers, including responsibility for licensing fishing and other commercial activities and the right to fine those who fail to respect environmental protection rules.

Shipping and other companies, for example, can be fined for discharging dirty water into the delta and individuals for fishing without a permit.

In practice, however, the authority has had insufficient funds to carry out its tasks adequately. "At the moment, we have just 90 wardens – one for every 4,000-5,000ha – and no way of contacting them in the field," says Baboianu. The grant will be used to increase the number of wardens to 250, to train them and to buy equipment such as boats, binoculars and radios.

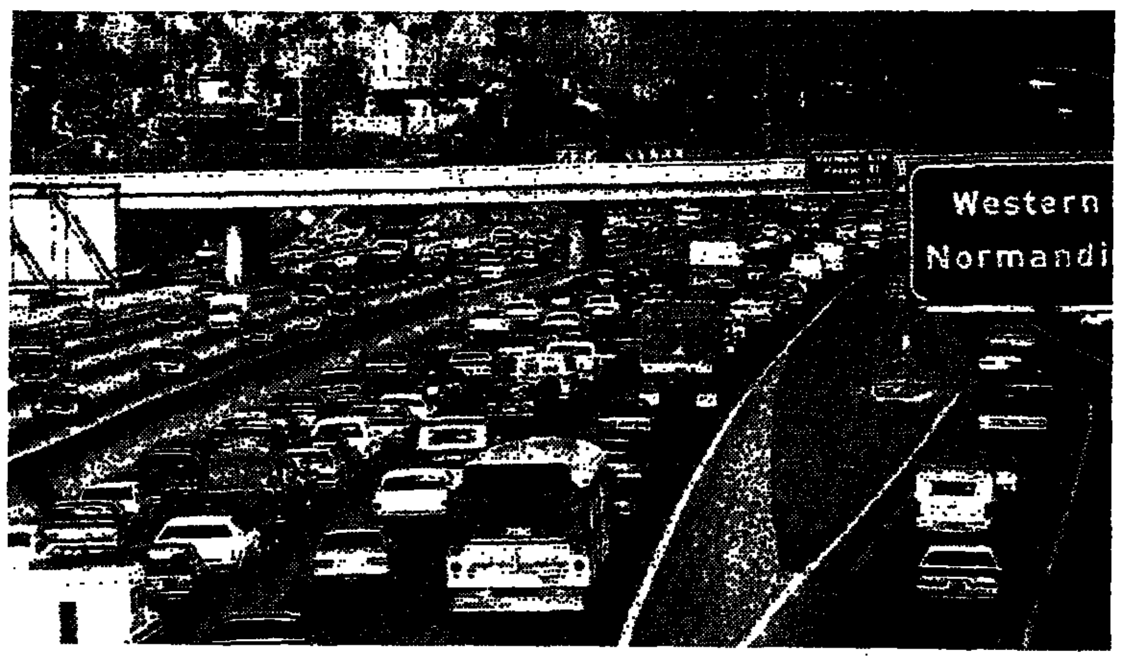
Wardens monitor the environment and wildlife in their districts and check that regulations are adhered to. The emphasis is on working with local communities, which are among the poorest and most isolated in Romania and whose people live from the land and from fishing and hunting. Most can only be reached by boat.

Baboianu says: "We do have problems with poachers and with people misunderstanding our role, but we do not want to be seen as a force against the people. We hope we can convince them to look on us as some kind of ecological vet, helping preserve and improve the area for everyone."

A greater problem is protecting the delta from pollutants in the Danube, especially fertilisers, phosphates and nutrients used in intensive farming. Their excessive use has led to eutrophication, manifested by an explosion of algae.

"This phenomenon is very dangerous for us. Algae cover the surface of the water and block light and oxygen for the more complex water plants and animals below, eventually killing them," says Baboianu.

This problem cannot be solved without co-operation from other Danube and Black Sea countries, many of which, like Romania, are undergoing difficult transitions to a market economy and can ill afford environmental clean-up projects. "We've made a start," says Baboianu, "but we can't look at the delta in isolation. We also need to solve the problems upstream and downstream."



Camera Press

Air quality laws in California demand that 'zero emission' vehicles comprise 2 per cent of total sales in the car market by 1998

Sparks fly over electric cars

Battery-operated vehicles may not be as clean as originally thought, explains **Victoria Griffith**

While the US automobile industry scrambles to meet 1998 deadlines to put electric vehicles on the market, controversy about the environmental benefits and commercial viability of battery-operated cars is mounting.

Circumstances in the US increasingly favour the electric car. Air quality laws in California and Massachusetts now demand that "zero-emission" vehicles comprise 2 per cent of total sales in the car market by 1998. Electric cars are the only vehicles to meet such standards so far. Other states are considering similar laws.

Yet the big three car manufacturers – Ford, Chrysler and General Motors – have complained bitterly during the last few months that a deadline of 1998 is unrealistic and that environmental benefits from the vehicles are ill-defined. Several environmental organisations have concurred.

In April, a leaked report by the US Environmental Protection Agency questioned the air quality improvements from battery-operated cars, lending credence to electric car critics. "Electric vehicles will not have a positive environmental benefit across the country," says Stephen Burrington, a lawyer with environmental advocacy group the Conservation Law Foundation.

Many ecologists complain that the term "zero-emission" vehicle is wishful thinking when applied to electric cars. The emissions are still there, they argue, whether they emanate from the electric power plant or from the car itself.

According to the EPA report, switching to electric vehicles may not always improve air quality as these cars increase electricity consumption. Benefits are, therefore, uneven. Regions relying on "cleaner" electricity sources, such as nuclear and hydro-electric plants and natural gas, for their energy will probably fare better than regions depending on more traditional power sources such as oil and coal.

"The switch to electric vehicles could be disastrous for a state like Kentucky, which still gets a lot of its electricity from coal," says Robert Russell, a lawyer for the Conservation Law Foundation.

Most people involved in the debate agree that electric car use in California would almost certainly improve air quality there.

"California is an exception, first because it has so many clean energy sources such as wind power, and second because its electricity sources are separated by mountains from the cities which have air quality problems, like Los Angeles," says Reginald Modlin, Chrysler's manager of environmental energy affairs.

There the consensus stops. The EPA and NESCAUM, the north-eastern air quality organisation, believe the north-east of the country, which generates much of its energy through nuclear power, could also benefit from electric vehicles.

The car industry disagrees. "Our studies show that the north-east would not get any improvement in air quality with a switch to electric vehicles," says Modlin.

John Williams, chairman of the US Advanced Battery Consortium at General Motors, also points out that electric cars are less efficient in the north-east than they are in California. "The cold in the north-east hurts our range," he explains. "We can get 70-90 miles in moderate temperatures, but only 30 miles in freezing conditions."

Enthusiasts say that studies questioning environmental benefits assume a lower efficiency than they should for electric cars. "Old gas-burning cars normally see a dramatic increase in emissions as they get older," says William Sessa, a spokesman for the California Air Resources Board. "Electric cars don't see this deterioration. After 100,000 miles of driving, they are pretty much the same as brand new in terms of emissions."

Some environmentalists believe electric vehicle efficiency is over-estimated. "Getting the energy from the power source to storage, from the storage to the car, is extremely inefficient," says Burrington.

Environmental improvements may largely depend on how strictly emissions from electricity sources are controlled. California's rigid pollution standards mean that it would reap more benefits than other states. In the long run, moreover, it may be easier to limit pollution from the electric plants than from individual cars.

Emissions, however, are only part of the overall impact, say environmentalists. "Even if the sources are cleaner, if electric use increases, it can cause ecological problems," says Thomas Caffrey, an engineer with the EPA. "There are other environmental problems involved with sources like hydro-electric and nuclear. Hydro-electric power has been very much criticised lately for what it can do to fish and other water species."

Russell contends, moreover, that the issue cannot be studied on a region-to-region basis. "Cars are marketed widely and cross state boundaries readily, so we need to look at this on a federal level."

Environmentalists also worry that electric cars will encourage Americans to be complacent about their driving habits. "What we need is an overall reduction in car use in this country," says Burrington.

Despite the criticism, electric cars seem poised to represent part of the car market by 1998. Car manufacturers say they can meet the state-imposed deadlines, although battery technology cannot yet offer the vehicles at competitive prices.

The air-quality boards for California and the north-eastern states say they will forge ahead with plans to encourage electric car use. "With the smog problems we face in California, we have no choice," says Sessa. "We have to look at alternatives like electric vehicles. They may not be perfect, but they're certainly an improvement over what we have."

ARTS

Television/**Christopher Dunkley**

The case for controversial views

The British, it is said, are masters of compromise. Look at their parliamentary system: they set up one lot of people to run the government and another lot to oppose them. The legal system provides for adversaries, insisting that the state not only prosecute the accused but argue his defence with equal rigour. Underlying such systems is the belief that, where matters of ethics and fine judgment are concerned, you may come close to the truth by listening to different opinions.

There is a similar value in the diversity of opinion within journalism. Yet whereas we are fairly comfortable with the notion of all sorts of extreme attitudes in print, there is still widespread anxiety when such attitudes are expressed on television. Journalists whose work causes little more than minor controversy in print – John Pilger, say, or Auberon Waugh – can cause an outcry when they offer the same thoughts on television.

Assertions that the carpet bombing of German cities in the second world war was a pretty nasty and not very cost effective policy, that Bomber Harris was aggressive and not the most compassionate of men, or that victory in the Pacific might have been achieved by showing evidence of the power of the A-bomb to the Japanese rather than dropping it on Hiroshima and Nagasaki, are not new. They have appeared frequently in print without causing untoward outrage. Repeat them on television, however, and a lot of people get very upset.

Perhaps this is partly because more people watch television than read serious journalism, but I suspect it is also because television is not seen as a medium of opinion in the same way as print. A viewer may not himself be persuaded by the programme that Harris was a brutal, uncaring man, yet may worry because he believes others will be swayed by television; by the perception that this is historical fact rather than nuance or even eccentric theorising of the sort you find so often in print.

Such was the hostility to Channel 4's screening of a programme about Bomber Command in the Canadian series *The Valour And The Horror* that *Right To Reply* was recalled from its summer recess to mount a special edition devoted exclusively to the topic. Defenders of Bomber Command made a number of telling points (all your research is thrown into question if you claim a man's nickname was "Butcher" when it was actually "Butch") but in the end *Right To Reply's* greatest success was in revealing the virtue on both sides. The older men, with memories of so many dead comrades, were surely right to be furious at seeing their own side pilloried when they had done what had to be done – in the heat of war – to overcome the vileness of Nazism. The younger men were surely right to question the ethics of fighting vileness if it involves becoming vile.

Hoping that the veterans will welcome critical reinterpretations of the war, on the grounds that it was precisely this sort of freedom they were supposed to have fought for, is a bit much perhaps. However, there is no great virtue in championing "free speech" if that merely means the freedom to say things with which you agree. If it is not to be an empty boast, then free speech must mean the right of someone such as Kenneth Griffith to present a programme such as *Hang Up Your Brightest Colours*, his celebration of the life of IRA leader Michael Collins which waited 21 years for a network screening. BBC2 showed it on Saturday as part of their "25 Bloody Years" series on the Irish troubles. In 1973 Lew Grade, then head of ATV, suppressed the programme because he felt it sympathised too openly with Irish republicanism.

But this programme, surely, is the equivalent of the argument from the opposition, the case for the defence, the component which the formal system of adversary attitudes insists we should understand so that we can come to a proper appreciation of the broader picture. Yet the powers that be – whether Grade or the BBC governors who so cravenly suppressed *Real Lives: At The Edge Of The Union*, or the government – repeatedly insult our intelligence by imposing bans on programme material which they think will bamboozle us even though it fails to sway them. (Had Griffith's film converted Grade he would presumably have *wanted* to screen it.) It is perfectly possible to admire Griffith's extraordinary talent, even to share some of his admiration for Collins, and yet to go on loathing and despising the methods of the IRA.

The awful thing is that, whatever the subject, television does so pitifully little in this business of portraying all sides. Richard Dawkins had half an hour on Channel 4 on Monday in *The Vision Thing* to explain not just why he is not religious but why he believes religion is an undesirable phenomenon. Given the scarcity of religious belief among most of the broadcasting people I have ever met, it is odd that such programmes should be astoundingly unusual compared with the countless series packed with stained glass, choirboys and hymns.

Heretic on BBC2, about men who have been ostracised by the scientific community because of their unfashionable ideas, has made a nice change from the usual two schools of science on television, "Gee whiz!" and "Oh dear". But series such as *Heretic* are rare indeed.

Television news programmes offer a sequence of remarkably similar versions of events. The topics covered in the Daily Telegraph and The Guardian are also similar, but the perception of the world communicated to the reader differs greatly because of the different ways in which items are approached and the different weight given to constituents. Swap round the presenters in the television news programmes and most viewers would not be able to tell the difference between the programmes.

Possibly the most depressing is television's arts coverage. Apart from occasional items in Channel 4's *Without Walls* practically all the material in this area is coated uniformly in the varnish of 1960s modernism. Seen in newspaper terms, virtually all television arts programmes take a Guardian/Observer approach. There may be occasional panellists from The Modern Review or The Spectator but the programmes are still made under Guardian/Observer assumptions. Moreover, the new technologies – satellite, cable, cassette, whatever – show few signs of increasing the array in such matters as the arts and history, even if we do now have Sky News. What television needs is not fewer but more passionate extremists – from all extremes.

Brecon Jazz Festival/**Garry Booth**

Beer, bonhomie and bebop

At 8:30 on Friday evening, at the same time as I was pressing between the ranks of Krukke, the Dutch marching band, to gain assess to the Guildhall and the Human Chain within, octogenarian altoist Benny Carter was preparing to join Saxomania in the Market Hall. Meanwhile, swinging bassist Ray Brown was already warming up a trio in Christ College. Across town, the open air bandstands emanated a mixture of trad, mainstream and the smell of myriad griddles. Two hours old and Brecon Jazz was already cooking. In prospect was a feast of attractions including Slide Hampton, George Shearing and Jon Faddis as well as a packed "stroller" programme with gems like tenorist Andy Hamilton or clarinettist Kenny Daverne teamed with trumpeter Warren Vache.

The cleverly contrived anarchy of Django Bates' small band set the tone well for the fringe aspect of the best little festival in the UK. Bates himself alternated crazily between peck horn and trashy sounding electric keyboard, his quartet's eccentric sound describing a tableau of circus and music hall quirkiness. Frenetic songs with titles like "Food For Plankton" and "Dancing on Frith St" were tossed between saxophonist Iain Bellamy and the leader making a delicious musical nonsense from the clouds of notes and manic rhythmic complexity.

On Saturday afternoon the same space was filled with the exhilarating sound and spectacle of the Trevor Watts Moire Music Drum Orchestra. Consisting of a battery of Ghanaian traditional drums, a supercharged but otherwise straight kit, a bubbling fretless bass and an unstoppable soprano sax, the orchestra was an overflowing cauldron of colourful energy.

For two blissful hours waves of percussive patterns flowed from congas and *djembe*, carried on rolling basslines. Weaving a continuous line of improvisation throughout, Watts remained seated and serene behind white beard and granny specs. The counterpoint of *mbira* thumb pianos and crisscrossing of flute with soprano sax in Ghanaian folk tunes was exquisite and the booming version of Rocky Road to Dublin, quite extraordinary.

A couple of hours' interval to munch a taco accompanied by the flamenco washed guitar of Eduardo Niebla at the Museum Car Park bandstand was all that was needed to make the geographical leap from West Africa to the US, via Panama. Assembled in the Market Hall was the New York Latin Jazz Allstars led by pianist Danilo Perez. Directed by Perez and propelled by Ignacio Berroa (drums) and Larry Grenadier (bass), ace Cuban altoist Paquito D'Rivera, Brazilian trumpeter – Claudio Roditi and rising young tenor star David Sanchez picked up where Dizzy Gillespie's UN Big Band left off. Battling with BBC technicians for attention (the view of the music was obscured by three cameramen and a constantly swinging 25ft jib which some of the audience found hard to take), the Allstars won through, but only just, with spreading rhythms and radiant solos from the leaders.

Guitarist Jim Hall, appearing in the tranquil setting of the Christ College theatre, had no such interference. So distilled is the guitarist's technique and so pure the semi-acoustic sound that on such a day – long and full of hot jazz – he might have trod the wrong side of the thin line between elevation and enervation. But, first in duet with protégé Peter Bernstein and then unobtrusively backed by Allan Ganley (drums) and Dave Green (bass), Hall applied his understated and intimate technique to a series of shimmering pieces from Lunceford to Gilberto and finally his old boss Rollins.

Outside, in the sunshine, Brecon continued to boil over with beer, bonhomie and bebop. Roll on next August.

The Glory of Gershwin

When Larry Adler used to hang out with George Gershwin, the two men were summoned by the vampish French actress Simone Simon to have dinner with her. Both besotted, they failed to understand how their glamorous companion could be so cruel as to make them compete in front of her – until her ulterior motive became clear: "She just wanted to hear us play together."

Adler, opening a week of concerts celebrating his old friend's music, declined to reveal the extent of his disappointment, but Simon surely got the best deal. There is a strong symbiosis between Gershwin's luscious melodies and the warm, expressive playing of Adler, celebrating his 80th birthday with a truly unlikely excursion into the pop charts with his "The Glory of Gershwin".

What most of the artists on that compilation found, however, is that the effortless sweep of the music is not as easily achieved as it sounds; very few singers can handle the delicate and always-humorous phrasing demanded by "S'wonderful" or "Fascinating Rhythm" while also coping with the much more intense requirements of *Porgy and Bess*. At the Jazz Café, Issy van Randwyck showed complete control of the former art, while her partner Clive Rowe excelled at the latter, particularly in a powerful "There's a Boat Dat's Leavin' Soon for New York". When the two got together, as in a joyful "I Got Rhythm", there was enough energy and theatre to put aside reservations over technique.

Adler himself beamed, cajoled and basked his way through the highly enjoyable evening. He saved himself for a rousing *Rhapsody in Blue*, in which his duet with a "ghost" of Gershwin at the piano was genuinely affecting. No wonder so many of those dinner dates ended up *à trois*.

Peter Aspden

Larry Adler: "The Glory of Gershwin" at the Jazz Café until August 20.

Alastair Muir

Slender substance swamped by style: the puppet prologue epitomises the exquisite portentousness of Robert Lepage's production

Edinburgh Festival/**Martin Hoyle**

The Seven Streams of the River Ota

Nietzsche famously compared Wagner's music with the heartbeat of a slug. The comparison occurs throughout Robert Lepage's production of *The Seven Streams of the River Ota* in its world premiere production at Edinburgh's Meadowbank Sports Centre. Teething troubles in rehearsal and changes up to the last minute suggest that tightening and sharpening are still possibilities. Certainly this ambitious triptych represents slender substance monumentally swamped by style. Slowness is less a matter of pace than focus and rhythm, both of which are as yet lacking.

Though the piece's conception is attributed to the largely French-Canadian company, Lepage is both director and designer, so must take responsibility for the priorities (visual over narrative) that deaden the theatrical impact. This is all the more tantalising when one remembers his production of the the opera double-bill, *Erwartung* and *Bluebeard's Castle*, that was rightly the hit of last year's Edinburgh Festival. But then a musical score imposes its own time limits and emotional climaxes.

Seven Streams opens with young Pierre arriving in Hiroshima to study calligraphy. He finds lodgings with the laconic Jana, misses his girl-friend, meets Jana's operatic soprano acquaintance (and possibly lover), and tumbles to the fact that Walter from the Canadian consulate is a philandering lecher. The dialogue is less spare than stilted, thanks to the cast's variable command of English; and the puppet prologue that recounts the accidental discovery of gunpowder by herbalists seeking an aphrodisiac for an aged emperor strikes the production's keynote of exquisite portentousness.

The central act focuses on Jana: Czech, Jewish, at the age of 11 she is in Theresienstadt – Terezin, that transit camp that the Nazis made a showcase for writers, artists and performers for the benefit of the Red Cross and the world's newsreels. She befriends an opera singer who hangs herself after heavily hinting at parallels with *Madam Butterfly*. Escaping the death camps, the adult Jana finds herself in Bohemian squalor in a brave new transatlantic world. After dabbling in pornography and drugs she meets, by an amazing coincidence, the daughter of the dead opera-singer, herself a soprano.

The play's third section returns to the present. The attempt to tie up loose ends overlooks the fact that the ends themselves are not attached to anything. The sudden switch to backstage bitchiness (Pierre's actress girlfriend arrives on tour) and French bedroom farce (coupling on the rebound) leaves us cold since nothing in the previous three and a half hours has made us like or believe in these lifelessly manipulated pawns.

Attempts to add depth and resonance – the present-day action is set in Hiroshima, "city of catastrophe and survival"; the visiting theatre company performs a great chunk of Mishima's *Madame de Sade* – further clog the work's texture; and Lepage's preoccupation with cultural cross-fertilisation diffuses rather than concentrates. There remains the visual element: Japanese sliding walls, film projections, layered mirrors that send their images into infinity – none notably remedying the lack of urgency and tenuous dramatic thread.

The programme lists the company without allocating roles. Interesting to see Rebecca Blankenship, the soprano from last year's *Erwartung*, bring a Jerry Hall elegance to both singers, squally in Dvorak and propulsive in Puccini. The younger Jana (Marie Brassard) is touching, the older one stalks dumpily around in dark glasses like Bette Davis OD-ing on carbo-hydrates. Sponsorship by Beck's suggests consolation in the two intervals.

INTERNATIONAL ARTS GUIDE

FESTIVALS

■ BAYREUTH

This year's new *Ring production* - the third and final cycle of which begins next Mon - is abstract, colourful and apolitical, and dominated by the designs of Rosalie. The stage director is Alfred Kircher and the conductor James Levine. The cast is headed by John Tomlinson, Deborah Polaski, Wolfgang Schmidt, Tina Kiberg, Poul Elming, Ekkehard Wlaschiha and Eric Halfvarson. Giuseppe Sinopoli is the new Parsifal conductor, with a cast headed by Elming, Hans Sotin, Bernd Weikl and Uta Priew. Last year's production of Tristan und Isolde, conducted by Daniel Barenboim and staged by Heiner Müller, is revived with the same two singers in the name-parts - Siegfried Jerusalem and Waltraud Meier. The other revival is Dieter Dorn's 1990 production of Der fliegende Holländer (0921-20221)

■ BESANCON

Besançon is best known in the musical world for its conductors' competition, but in view of the scarcity of good young conductors, the organisers have made the sensible decision to make it a biennial event. The city's annual music festival, however, has developed its own momentum, reflected in the high calibre of artists this year (Sep 2-16). The opening concert is given by the Pittsburgh Symphony Orchestra under Lorin Maazel. Other visiting ensembles include the Dresden Staatskapelle with Colin Davis, Il Giardino Armonico in a baroque programme, and the Hungarian National Philharmonic Orchestra. The recitalists include Matt Haimovitz, Michel Dalberto and the Alban Berg Quartet (8181 8226).

■ BREGENZ

The opera festival at the Austrian corner of Lake Constance has won an enviable reputation for artistic boldness, while preserving its appeal for tourist audiences. There is still a chance to catch David Pountney's spectacular production of Nabucco on the floating stage before the festival ends on Aug 26 (05574-4920 224)

■ INNSBRUCK

The Innsbruck baroque and early music festival runs till Aug 27. There are two opera productions at the Landestheater: Telemann's Orpheus conducted by René Jacobs, with a cast headed by Janet Williams, Carola Höhn and Jörg Hering; and Biber's Arminio, with a cast headed by Gregory Reinhart and Lorna Anderson. The concert programme, given in historic buildings in Innsbruck and the surrounding region, features the Tallis Scholars and the Freiburg Baroque Orchestra (0512-571032)

■ LINZ

The annual Bruckner festival in this Austrian town (Sep 11-Oct 2) opens with Riccardo Muti conducting the Vienna Philharmonic in Bruckner's Seventh Symphony. Giuseppe Sinopoli conducts the Philharmonia Orchestra in two concerts, and Semyon Bychkov conducts the Orchestre de Paris in Bruckner's Ninth. Marek Janowski conducts a concert performance of Wagner's Lohengrin, with a cast headed by Peter Seiffert and Eva Johansson. Other visitors include the Hagen Quartet, Christian Zacharias, Simon Estes and Mauricio Kagel. The final two concerts are given by the London Philharmonic under Franz Welser-Möst (Brucknerhaus-Kasse, Untere Donaulände 7, A-4010 Linz. Tel 0732-775230)

■ SALZBURG

● This year's flagship opera production is Don Giovanni, staged by Patrice Chéreau and conducted by Daniel Barenboim, with a cast headed by Ferruccio Furlanetto, Bryn Terfel, Catherine Malfitano and Cecilia Bartoli. There are also two Mozart productions by Karl-Ernst and Ursel Herrmann - Ombra Felice (a collection of arias, scenes and ensembles conducted by Heinz Holliger) and La clemenza di Tito with Chris Merritt and Ann Murray. The opera programme otherwise has a Russian emphasis: the highlight of the coming week is a Stravinsky staging produced by Peter Sellars, conducted by Kent Nagano and designed by an avant-garde team of German architects. It pairs Oedipus Rex and the Symphony of Psalms - with a cast headed by Thomas Moser, Agnes Baltsa and Matti Salminen (first night Aug 22). The Claudio Abbado/Herbert Wernicke production of Boris Godunov, first seen at the Easter Festival, is revived with Samuel Ramey in the title role.

● The remaining orchestral concerts are given by the Vienna Philharmonic conducted by Solti and Boulez, the Cleveland Orchestra with Dohnanyi, the Saito Kinen Orchestra with Ozawa, the Berlin Philharmonic with Abbado and the Pittsburgh Symphony with Maazel.

● The recital programme includes Anne Sophie Mutter (Aug 21), Bryn Terfel (Aug 22) and Maurizio Pollini (Aug 23).

● Deborah Warner's production of Shakespeare's Coriolanus can be seen at the Felsenreitschule, with Bruno Ganz in the title role. An exhibition devoted to Beuys, Baselitz and other modern German artists can be seen at the Neue Residenz and two other venues. The festival ends on Aug 31 (tel 0662-844501 fax 0662-846682)

■ SAN SEBASTIAN

This year's highlight is Carmen starring Denyce Graves (final performances tonight and Fri). The concert line-up includes opera arias sung by Ruggero Raimondi (Aug 25), two programmes with the Royal Liverpool Philharmonic Orchestra under Alexander Lazarev (Aug 27, 28), a piano recital by Christian Zacharias (Aug 29), Beethoven and Mozart conducted by John Eliot Gardiner (Aug 30, 31), and an impressive series of church concerts (Quincena Musical, Teatro Victoria Eugenia, Reina Regenta s/n, 20003 San Sebastian, Spain. Tel 043-481238 Fax 043-430702)

■ SANTANDER

The programme includes the Ukrainian National Ballet (Aug 22, 23), Anne Sophie Mutter (Aug 25), the Dresden Philharmonic Orchestra with Rostropovich and Temirkanov (Aug 28) and the Maggio Musicale Orchestra from Florence with Zubin Mehta (Aug 29). The festival ends on Aug 31 (Festival Internacional de Santander, C/Gamazo s/n, 39004 Santander, Spain. Tel 042-314819 Fax 042-314767)

■ SCHLESWIG HOLSTEIN

Like a musical mosaic, the festival spreads out from Hamburg, Lübeck and Kiel to some of the most attractive towns in north Germany, in venues with a more local atmosphere than most international festivals. Beaux Arts Trio gives a recital tonight in Bordesholm. Midori gives a violin recital tomorrow in Wotersen. Lorin Maazel conducts the Pittsburgh Symphony Orchestra in Flensburg on Sat. The festival ends in Kiel on Sat and Sun, when Günter Wand conducts the North German Radio Symphony Orchestra in a Beethoven symphony programme (0431-567080)

■ WEXFORD

This year's festival runs from October 20 to November 6. The three operas chosen by Elaine Padmore for her final year as artistic director are Anton Rubinstein's The Demon, Ruggero Leoncavallo's La boheme and Wagner's Das Liebesverbot. The Rubinstein work will be conducted by Alexander Anissimov and staged by Yefim Maizel, and the cast will be headed by Anatoly Lochak and Alison Browner. The Leoncavallo will be conducted by Albert Rosen and staged by Reto Nickler, with a cast headed by Jungwon Park, Magali Damonte and Jean-Pierre Furlan. The Wagner will be conducted by Yves Abel and staged by Dieter Kaegi, with Robert Holzer as Friedrich. There will also be a symphony concert by the National Symphony Orchestra of Ireland, recitals by the Moscow Piano Trio, the Alexander Quartet and Alison Browner, and a performance of Brahms' German Requiem. The festival is renowned for its exquisite small theatre, its elegantly economical productions and the welcome which the Irish coastal town of Wexford gives to its festival visitors. Booking from Wexford Festival box office, Theatre Royal, High Street, Wexford, Republic of Ireland (053-22144)

ARTS GUIDE

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Tuesday: Performing arts guide city by city.
Wednesday: Festivals guide.
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NBC/Super Channel: FT Reports 1230.

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Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Ian Davidson

Ballot box blarney

An 'either-or' choice will not solve the conflict in N Ireland

If one thing is now clear about the conflict in Northern Ireland, it is that the Irish nationalists are deeply divided over how to respond to last December's peace proposals, put forward by the British and Irish governments in their joint Downing Street declaration. Formally, Sinn Féin, the republican political movement, last month appeared to reject the Anglo-Irish overture, and terrorist attacks have continued. But all recent statements by Mr Gerry Adams, president of Sinn Féin, have suggested that he personally is more in favour of peace than war, and has recommended a ceasefire by the IRA.

According to a recent editorial in the Irish Times, "a great body of informed opinion now agrees that the provisional IRA will shortly call another ceasefire in the North". But the paper concluded gloomily that any ceasefire would be unlikely to last, since the IRA was still hoping for peace on its terms; in other words it was still hoping for total victory. There was little evidence so far that the IRA would settle for peace on the terms offered, which was a peace of compromise and consent, without winners and without losers.

The difficulty for the terrorists – and the problem is the same for the IRA as for its extremist counterparts in the Protestant community – is that the Anglo-Irish declaration is deliberately couched in terms designed to shut out a victory by either side. It speaks sympathetically of the principle of self-determination, but makes clear that this principle will be enacted only through a process of democratic consent. If the nationalists and the Catholics in the province want Northern Ireland to become part of a united Ireland, they must persuade the Protestants and the rest of the population in Northern Ireland of their case, and get it accepted through the ballot box.

The problem with the declaration is that the terms as stated are either wholly disingenuous or deliberately deceptive. In it, the British government says that it has "no selfish strategic or economic interest in Northern Ireland", and will uphold "the democratic wish of a greater number of people of Northern Ireland on the issue of whether they prefer to support the Union or a sovereign united Ireland".

On the face of it, such a position is democratic, statesmanlike, unexceptionable. In fact, it appears to bear little relation to a province which is the product of an Anglo-Irish conflict at least 400 years old, and which has been racked by terrorism from both sides for a quarter of a century.

For the moment, the Protestants are in a clear majority, and it is obvious that, if a plebiscite were held now on the future of the province, it would go in favour of continued membership of the United Kingdom. But the Protestants' share of the population is declining relative to the Catholics', and this causes them profound anxiety; if a similar plebiscite were held in a few decades, it might go in favour of a united Ireland.

The thing missing from the province is acceptance of the will of the majority

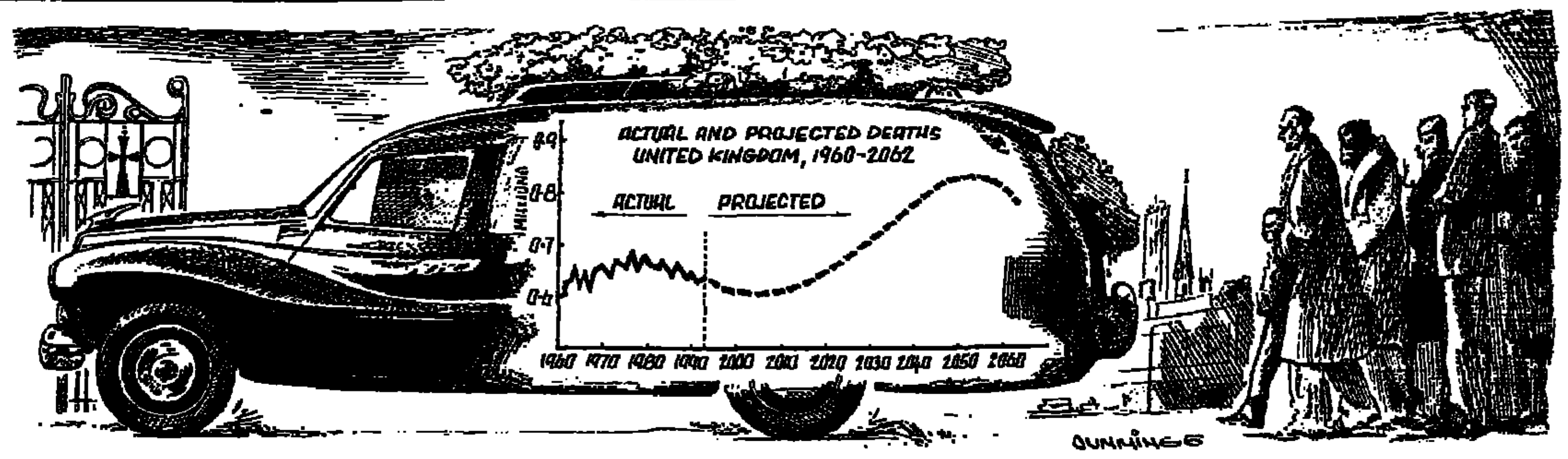
But these two innocent and contrasting scenarios bear no relationship to the reality that Northern Ireland has lived through for the past 25 years. The idea that there can be a simple "either-or" choice for the future of the province, which could be settled peacefully and definitively by a majority vote, is a fairy tale. The reason for IRA terrorism is that a tiny minority of the minority community does not accept the will of the majority or the legitimacy of the present constitutional position, and is prepared to kill and maim to overthrow it. But a tiny minority of the majority community is also prepared to kill and maim to uphold the present constitutional arrangement.

In other words, the one thing missing from Northern Ireland is the principle of democratic consent, which means acceptance of the will of the majority. And since the province is nearly equally divided between two opposing communities, any question which pits them against each other will have the smallest chance of gaining general democratic consent. So if the question which is supposed to be addressed by the Anglo-Irish declaration is the either-or choice between the United Kingdom and a united Ireland, we can be fairly sure that there is no chance of a peaceful decision through the ballot box.

Some people maintain that the British government's apparent indifference to the constitutional destiny of Northern Ireland, provided it is settled democratically, could have the perverse effect of provoking terrorism. For if the UK government really does not care whether Northern Ireland stays or goes, maybe the terrorists have more leverage. I am not sure I go this far. But it is nevertheless rather extraordinary that one of the oldest nation states in Europe should profess disinterest in hanging on to one of its provinces.

It is, by contrast, inconceivable that any French government should disclaim any "selfish strategic or economic interest" in Alsace-Lorraine; and just as inconceivable that any Spanish government should shrug off the destiny of Catalonia or the Basque country. On the contrary, they would rule out, as a matter of principle, any amputation of their territory as an outrage to national sovereignty.

Some who think the declaration dangerously provocative would argue that the British government ought to rule out, *for ever*, any change in the formal constitutional attachment of Northern Ireland. Again, I would not go that far. But since it is almost inconceivable that there could be a peaceful constitutional settlement through a simple majority vote, it seems reckless to indulge in loose talk about "self-determination" and "consent", when the first is inapplicable and the second is unavailable.



Loved ones to exit the American way

US funeral operators are targeting the UK for growth opportunities, Simon Davies

The US company which laid to rest Elvis Presley, President J F Kennedy and Howard Hughes could soon be transforming Britain's sombre, dark-curtained parlours into brighter, breezier, money-spinning outlets.

The UK funeral industry may not seem an obvious site for takeover battles: the death rate is falling steadily, and the depth of the recession has forced the conservative British funeral purveyor to offer competitive services.

But this gloomy picture of the UK sector – has not deterred the two largest funeral operators in North America from fighting for the UK's third-largest funeral business, Great Southern Group. Last week, the victor, Service Corporation International (SCI) also bought 3 per cent of the second-largest UK funeral company, Plantsbrook.

Clearly the US operators see potential value in the businesses, which inevitably spells change for the traditionally low-profile world of British undertaking.

"I think the UK funeral business will change, because we will be there," says Mr Robert Waltrip, SCI's chairman who transformed the company from a single family funeral parlour into the world's largest burier with 873 funeral homes.

SCI's aggressive strategy of acquiring some 700 US competitors over a period of 30 years and applying economies of scale, has, in spite of declining numbers of US customers, provided strong profits growth. Between 1989 and 1993, SCI's net profit doubled to $103m.

Mr Waltrip argues: "Different nations have different religions, customs and languages, but most civilised nations bury the dead with some kind of ceremony. There is a place for a company like SCI worldwide." He claims SCI's experiences in the US, where it handles burials for a diverse ethnic population from the Hispanic to the Jewish communities, equips it to spread its services overseas.

But will he be able to translate the practices which Nancy Mitford satirised so mercilessly in The American Way of Death into the less showy and extravagant UK Way of Death? What may look to an outsider like an industry which has lain moribund for centuries, has, in fact, been undergoing something of a life-giving revolution over the past 10 years.

Until the 1980s, the UK funeral business was seen as a profession rather than a business, a family concern passed down from father to son. But during that decade a handful of operators became aware of the potential for economies of scale in the industry. A funeral home has to carry large fixed costs such as hearses, embalming facilities and attendants. All of them are only periodically busy.

UK companies recognised that they could reap enormous benefits from building up so-called 'clusters' – central facilities for hearses and attendants – to service a large group of funeral homes. At the same time, given the goodwill attached to small family businesses, their names and shop frontages could be retained.

Soon, the frock-coats gave way to the pinstripes as businessmen such as Mr Howard Hodgson and Mr Michael Kenyon, two of the foremost UK funeral operators, pursued aggressive strategies to shake up the ranks of Britain's independent funeral concerns. Hodgson Holdings, a Liverpool-based listed company, bought several hundred independent funeral homes between mid-1986 and mid-1989, spending close to £40m on acquisitions.

Mr Hodgson's buying spree was typical of the transformation taking place in the industry. As a result of the upheaval, almost 40 per cent of the UK's funeral business is today owned by three operators: Great Southern (5 per cent), Plantsbrook (9 per cent), and the Co-operative movement (25 per cent).

By comparison, the three big players in the US, which also include Loewen Group and Stewart Enterprises, share 16 per cent of the far larger American market; and the share is rising. SCI spent $175m on US acquisitions in the first half of this year alone, and now controls 9 per cent of the market.

SCI and other US funeral companies benefit from a US regulatory regime which creates barriers to entry to any potential competitor, including foreign operators, by laying down tough licensing requirements.

In the UK, by contrast, there are no barriers to entry in what is a 'people business': overseas corporate raiders face the threat of top employees from target companies setting up rival businesses overnight.

But this has not deterred SCI, which wants to take an ever-bigger slice of the UK trade through its new UK arm, Great Southern.

"If I was in the private sector, I would be delighted at this [move by SCI]," said Mr Hodgson. "Independent operators will either win funerals by saying to customers, 'Do you want your mother to be buried by a Texas cowboy?' or they will be offered more money [by US rivals] for their companies."

During the 1980s, Hodgson Holdings' aggressive takeover actions substantially drove up the prices of funeral homes. Mr Hodgson argues that SCI could be forced to pay similarly inflated prices for small, independent funeral homes as it builds up its UK presence.

American funeral operators justify the high prices paid for UK rivals by pointing out that they will achieve greater operating efficiencies. SCI, for instance, says its principle of 'clusters' could easily be applied to inefficient UK family-run funeral operators.

Besides exaggerated prices for parlours, operators face the broader problem of a falling UK death rate. For the past two decades the rate has fluctuated at 650,000 deaths a year, but is expected to continue it recent decline, falling by 3,000 to 626,000 in the year to June 1995.

The Government Actuary, which projects births and deaths, is forecasting further declines to about 600,000 in 2010 when the deaths of the first of the so-called 'baby boomers' should provide a turnaround in the trend. By 2052, the death rate is forecast to peak at about 829,000 a year. For those in the funeral business, it is a long wait.

But operators can use the intervening years to convince traditionally conservative British consumers to change their habits. First, they could persuade customers to choose more expensive caskets, rather than the plain coffins which, even at the top of the range, cost about £800. Americans routinely pay about $4,000 for a normal burial. In addition, 70 per cent of the UK population chooses cremation over burial – which is even cheaper.

UK operators remain sceptical about SCI's hopes of narrowing the gap in spending between the two countries. But the US group points to its experiences in Australia, where it invested US$102m in the acquisition of Pine Grove Funeral Group in July 1993. Since then it has maintained prices for merchandise while doubling the range of coffins. The result has been a 40 per cent increase at some homes in the average spend per funeral in the past year.

"We will never attempt to Americanise any country's customs," says Mr Waltrip. "We will just apply the same business concepts as we use in America such as 'clustering'. We would be crazy to change several hundred years of custom."

He would, however, like to sell more $95,000 caskets – like the one in which Elvis was buried.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Drivers are not diverted by motorway tolls

From D B Harley.

Sir, One despairs of the intelligence of members of the "Tory-dominated" Commons transport committee ("Tories attack motorway toll plans", August 13) if they delude themselves that 20 to 30 per cent of motorists in the UK would divert from motorways if tolls were charged.

Motorway charges have been in force in France, Spain, Italy and other countries since the inception. In Germany, where charges are likely to be introduced soon, the idea of motorists shunning the autobahns is held to be absurd.

If this committee wants some hard evidence, let it look at Switzerland where charges were introduced in the 1980s after years of toll-free use. A simple windscreen sticker costing SFr30 (£15) annually and available at all garages and post offices does the trick, with an on-the-spot fine as deterrent if you are caught using the motorways without one. No Swiss driver in his or her right mind diverts to "local roads", and I am sure the British motorist is equally capable of calculating cost versus convenience.

Such a system in the UK would yield ample funds for whatever purpose. As for the committee's rather inane suggestion of "increasing fuel" duties instead, the extra tax would merely disappear in the Treasury maw and add yet another turn of the screw to the government's unpopularity.

D B Harley,
Sagenstrasse 35,
6318 Walchwil,
Switzerland

Avonmouth's smelting credit

From Mr Roger Lee.

Sir, In your item on the abandonment of the Pacific Zinc project at Hachinohe, Japan ("Japan zinc project is abandoned", August 10) it was stated that the imperial smelting process was developed in Australia. In fact the process was developed by our then parent company, Imperial Smelting Corporation, at Avonmouth, UK, and is now in use in 11 countries including Australia. It is used in Japan at the existing zinc smelter at Hachinohe and by Sumitomo Metal Mining at its Harima smelter.

Roger Lee,
Imperial Smelting Processes,
Bristol BS99 7YR

Flaws inherent in R&D scoreboard

From Dr Alan Smith.

I was pleased to see Dennis Henry's letter ("Added value should be real value for R&D", August 1) regarding his concerns about the recent publication of the "UK R&D scoreboard". This annual record is produced by Company Reporting in conjunction with the Department of Trade and Industry and takes data from company annual reports.

This is where the first problem arises; not all companies define R&D in the same way, despite the guidelines which are available to accountants (Statement of Standard Accounting Practice).

Second, the amount of R&D spend required by businesses within a particular sector can vary. Some companies rely on impeccable service to generate high profits, whereas others achieve the high profits through well planned R&D.

Third, the tables are misleading in that some companies are much more efficient in how they manage their R&D projects than others. One company spending 5 per cent of turnover on R&D might be producing benefits equal to a more efficient company spending only 1 per cent on R&D. In the present competitive environment it is essential to ensure that there is better project selection and evaluation with continuous monitoring, followed by assessment of the project's achievements.

Dennis Henry is right in looking at the ratio of R&D to added-value rather than to sales. The added-value which the R&D brings to the company is what is really important, but that is not something which can be measured easily and quickly.

If the "UK R&D scoreboard" is going to encourage companies to spend more on R&D, then I fully support that. The best way to generate wealth for the country is by being efficient technology leaders, who can move rapidly into new markets.

Alan Smith,
Tebworth,
Bedfordshire LU7 9QQ

Holding on to the equity futures dream

From Mr Lynton Jones.

Sir, Joel Kibazo's article ("Equity futures trading dreams begin to fade", August 4) compares certain average turnover figures for Liffe with the lack of trades on our exchange during July.

In fact, July was a bad month for both exchanges. Over the six-month life of these contracts, volumes have been very low. Liffe has traded an average of only 3,500 per month while the OMLX exchange (a screen-based securities and derivatives exchange, launched in February in Sweden) average has been 1,500 per month. But in July trading on both our exchange and Liffe began to seriously dry up. We traded no contracts at all, while Liffe traded 788. This downward trend has continued during August.

The plain fact is that the contract is succeeding on neither Liffe nor the OMLX exchange.

The criticisms levelled at the OMLX exchange in the article seriously over-simplify the situation. I would be interested to know how many of the market participants quoted can claim to be satisfied with the way in which the UK equity derivative market is performing today. It is, in fact, one of the poorer performing equity derivative markets in Europe.

Our decision to enter this market was conditioned by the fact that our existing product range forms a highly liquid and very efficient market. For instance, the most heavily traded stock option in London is Astra, traded on our exchange, rather than any UK stock option traded on Liffe.

We felt that we could bring these same efficiencies and liquidity to the under-performing UK equity derivative market.

The fact that we have not yet done so with the FT-SE Mid 250 Index may be due rather less to the factors quoted in Mr Kibazo's article than to the original decision by the London Stock Exchange to grant two licences.

The contract may have stood a better chance of succeeding if only one exchange had traded it from the start. But we, no more than Liffe, could avoid picking up the gauntlet thrown down by the LSE.

The problem we all now face is to find a way of reviving this contract and making it the success it deserves to be.

We intend to pursue this objective, together with Liffe and the LSE, in the weeks to come.

Lynton Jones,
chief executive,
OMLX,
107 Cannon Street,
London,
EC4N 5AD

Bonds to balls and back again

From Mr Adrian Jack.

Sir, First Clement Crisp goes where no ballet critic has gone before. Now your erstwhile chief American commentator, fresh from reporting on the World Cup, becomes baseball correspondent ("Why the players complain it just ain't cricket", August 13). Brittan on badminton, Plender on parachuting are no doubt in galley proofs. Those hapless Italian treasury officials trying to flog 30-year Italian bonds will breathe easier with Barry Riley on white water rafting. Nigel Andrews escaped reviewing *The Flintstones* by a strategically placed holiday. Perhaps Arctic Dog-Sled Racing would be a suitable reward?

That baffling acronym FT-SE is now explained – Financial Times Sporting Enquirer

Adrian Jack,
2 Paper Buildings,
London EC4Y 7ET

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Wednesday August 17 1994

The Fed points up

Testifying to Congress last month, Mr Alan Greenspan, the Chairman of the Federal Reserve, claimed that it was "an open question" whether US interest rates had increased enough to head off inflationary pressures. Yesterday's half-point rise in rates closed it for the time-being.

Timing of such decisions can be debated endlessly. Since interest rate changes have most of their effect a year or two after the event, such debate is fruitless. What matters more is the direction and size of the change. Mr Greenspan's Federal Reserve likes fine-tuning policy. By those standards, this is a decisive move, one that shifts US monetary policy close to his elusive objective of "neutrality".

The case for such a move is provided by the domestic economy. The aim, one that is close to Mr Greenspan's heart, is non-inflationary growth. By those standards higher interest rates were evidently justified.

The recovery, now more than four years old, has brought the economy near to full capacity. But employment growth remains quite strong, as does that of the economy. The world economy is now also picking up. Meanwhile, the slope of the yield curve – the gap between short and long-term rates of interest – is still strongly positive. One reason has been the rise in the interest rate on long bonds. While difficult to interpret with confidence, this rise suggests that the credibility of monetary policy remains fragile.

The Federal Reserve is merely doing its job and deserves support when doing so. What it will receive from many politicians instead is condemnation. Such carping should be ignored. They are also just doing their job.

A Korean deal

The outline agreement between North Korea and the US to defuse the mounting tension over Pyongyang's nuclear programme is at one level a victory for quiet diplomacy. North Korea has agreed to suspend its provocative graphite reactor programme, which is capable of producing weapons-grade plutonium, and to allow international inspection of its nuclear facilities. In return it will receive less controversial western water-cooled reactor technology and diplomatic links to the outside world. The threat of a large scale North Korean nuclear weapons programme, which was real only a few weeks ago, has thus receded.

On another level, however, the agreement is an attempt by the US to make the best of a pretty bad job. Washington's options for pressing Pyongyang to honour the nuclear Non-Proliferation Treaty were extremely limited. Direct military action was probably unrealistic and certainly would have unsettled regional allies as well as provoking a sharp response from China and Russia; economic sanctions would have had little impact, given North Korea's near total isolation from international trade. So instead of sticks, the US has opted for carrots.

Offering incentives – such as funding of the new nuclear plant by its allies – will buy the US some reassurance: the halting of further plutonium reprocessing will stop the flow of potential bomb-making material, while the examination of North Korean sites will allow an audit of the plutonium produced so far. Yet at heart, this is little more than containment of the problem. Without deeply intrusive inspections, bound to raise North Korean hackles, there can be little certainty that some nuclear material does not remain hidden.

Washington may be reluctant to push the verification issue to the degree required for absolute certainty, lest the agreement reached so far collapse. It may make the pragmatic decision that having found itself in a weak position, the best it can hope for is the near-certainty that the North Korean nuclear capability remains small.

Still, even if pragmatic, this stance does raise some difficult questions. At the minimum, the deal rewards bad behaviour by North Korea. At worst, it shows the US giving in to nuclear blackmail. Other potential nuclear weapons states will doubtless have noted the sort of concessions which can be wrung from the US in return for giving up nuclear programmes. First Ukraine receives a large aid package in return for agreeing to return its nuclear warheads to Russia. Now North Korea collects for abandoning a nuclear programme of unknown effectiveness. Who might be next?

Moreover, other countries in the region, from South Korea to Japan, will be drawing their own lessons from the North Korean experience – not least concerning the need to deter such threats in future. In the longer term, the tension in the region remains.

If the value of the agreement is to stop a bad situation getting worse, are there at least lessons which can be drawn to prevent a repetition of the problem? One is that the nuclear Non-Proliferation Treaty, up for renewal next year, badly needs strengthening. The west should continue to honour the NPT's original offer to make it attractive for countries to renounce the bomb. At the same time it should step up efforts to prevent the flow of critical technologies and nuclear fuels to rogue states tempted by nuclear weapons. Proliferation may be inevitable in the long term, but the NPT still has a valuable role to play in slowing its progress.

Mix 'n' match tax

A rose by any other name might smell as sweet, but taxes need all the re-labelling they can get. Cynics would say that this was the logic behind earmarking taxes, an idea which is gaining favour within both of the UK's main opposition parties. In fact, proposals like those published yesterday by the Liberal Democrats stem from a desire to improve the substance of fiscal policy-making. Unfortunately, earmarking taxes is not the answer.

Yesterday's report suggests a number of areas where "hypothecation" – earmarking a chunk of tax revenues for a particular purpose – could be used to raise public confidence in taxation policies. Although the Liberal Democrats have taken it furthest, the same notion has gained support in the Labour camp. Its proponents claim that hypothecation is not merely a marketing exercise, but aims to raise the transparency and accountability of fiscal policy.

In theory, earmarked taxes would heighten the public's awareness of the connection between taxes and services. Better informed about the trade-offs between the two, it could discuss fiscal policy more honestly, and officials could be held more accountable for the way those trade-offs are agreed and implemented. In practice, however, "re-connecting" taxes and services, at a national level at least, is likely to mislead the public or, worse, leave the tax system even less capable of delivering difficult reforms.

At its simplest, earmarked taxation is a mere re-labelling exercise, as in the case of national insurance contributions, which are separable from income tax in name only. This reduces transparency, since the public is given a misleading picture of the link between contributions and benefits. A more honest way to earmark revenues would be to ring-fence them, along the lines of the television licence fee. But this might lower accountability since officials would no longer have to defend their expenditures every year.

A deeper drawback is that the earmarked revenues would be prey to the business cycle. As the Liberal Democrat report notes, this severely limits the scope for hypothecation: it would be senseless for unemployment benefits, for example, to be bound by revenue from cyclically variable taxes. The authors also argue that means-tested benefits should not be hypothecated, because there needs to be "a fairly close correlation between those who pay the tax and those who benefit from the expenditure." Broader application of the latter principle threatens two undesirable effects: a greater emphasis on taxes which are easily personalised, such as taxes on employment, and a balkanised tax base, as different interests vie to sell their causes to the public.

Better informed public debates about fiscal policy could help rebuild public trust in politicians, but hypothecation is a quick fix. Declaring that a proportion of income tax is to be replaced by a 'health service tax' may sound attractive, but it is not the same thing as debating the future of the national health service.

Some of the report's ideas could have more positive results: the idea of sending a yearly tax and spending statement to each UK household, for example, is a good one. But if the opposition parties, particularly Labour, wish to win the next election by addressing people as citizens, not only as consumers, they should avoid proposals that risk making such a presentation of the public budget look uncannily like a shopping list.

Some UK executives receive large pay-offs on leaving companies, says **William Lewis**, but pressure is mounting for reform

Cut the strings on the parachute

When Mr Tim Redman became a non-executive director of UK regional brewer Greene King this summer, after 17 years as an executive director, he received a pay-off of £165,000. Greene King is chaired by Mr Simon Redman – Tim's cousin – and the company states in its annual report that the money was paid after the termination of his employment contract.

Mr Simon Redman describes the pay-off as "entirely appropriate". But to some institutional shareholders it is another example of how companies are willing to pay out large sums to former directors.

The issue of executive pay-offs has been brought into the spotlight recently as a succession of directors have received seven-figure sums when they they have left leading UK companies. Both the City of London and the government are becoming increasingly uneasy about "golden parachutes", and are stepping up calls for large pay-offs to be curtailed.

The principal cause of high payouts are so-called rolling contracts – employment contracts without a fixed term but with a lengthy notice period, often of up to three years. Directors who have such contracts usually receive large sums in compensation if their employment is terminated at any time.

In recent months, companies which have agreed to large pay-offs to directors on long rolling contracts – for instance, the £2.02m paid to Mr Peter Davis by Anglo-Dutch publisher Reed Elsevier following his resignation as co-chairman – have been put under pressure by campaigns to reform this practice.

One institutional shareholder, PosTel, has been largely responsible for bringing the issue to public attention. Its chief executive, Mr Alastair Ross Goobey, announced recently that he would be using PosTel's £25bn-worth of funds – which control about 1.5 per cent of the shares of each company quoted on the FT-SE All-Share index – to vote against the election and re-election of directors who have rolling contracts with notice periods of longer than two years.

Mr Ross Goobey wants three-year rolling contracts to become a thing of the past. Currently the norm for directors of the largest UK quoted companies, they legally entitle a director to a pay-off the equivalent of three times basic salary. In particular he wants to end large payments to directors forced out following poor performance.

He argues that moving "to two-year rolling contracts is the first step in reducing the level of pay-offs". Ideally, Mr Ross Goobey would like to see pay-offs to directors limited to one year's total remuneration. "It is difficult to see any circumstances in which a director should get more than one year's money in a pay-off," he said.

Two months on from the launch of his campaign, there are signs of change. Even though three-year rolling contracts were effectively endorsed by the Cadbury Committee on corporate governance, whose code of practice took effect in July last year, evidence suggests that shorter rolling contracts – probably of two years – or fixed-term contracts could become the rule at leading UK companies.

"A trickle of companies changing their contracts has turned to a steady flow," Mr Ross Goobey said. yesterday.

PosTel's campaign appears to have the backing of Mr Michael Heseltine, trade and industry secretary. Mr Heseltine said recently: "I would personally like to see a much stronger role of share owners acting to ensure these sort of practices [large pay-offs] are constrained."

The size of the problem is clear. A survey of the FT-SE Mid 250 index of the 250 largest quoted companies by Pirc, the UK corporate governance consultancy, found that compensation payments to former directors, disclosed in company accounts published in the year to June 30, totalled more than £19.4m.

This included a £3.1m payment to Mr John Cahill when he resigned in February this year as chairman of British Aerospace, and £2.2m to Chris Greentree, former chief executive of oil company Lasmo, when he stepped down in January 1993.

More recently, Mr John Bellak, former chairman of Severn Trent, was paid more than £512,626 in compensation for early retirement from the board of the privatised water company. The figure comprised £404,829 for "early termination of his service contract" and £107,797 for future pension payments. Mr Bellak also received a salary package of £230,300.

The scope for future pay-offs remains vast. Directors at 44 FT-SE 100 index companies have three-year rolling contracts, including 13 directors of Unilever, the Anglo-Dutch consumer group. Another 43 companies do not have any directors on contracts with rolling contracts longer than two years.

PosTel will vote against the election of directors who have rolling contracts with notice periods of longer than two years

Of the 44 companies with directors on three-year rolling contracts, several have recently paid compensation to former directors. For instance, when Dr Ernest Mario was ousted from his three-year rolling contract at pharmaceuticals group Glaxo in March 1993, he received a pay-off of £2.7m, to be paid over three years. Seven of the company's executive directors are still on three-year rolling contracts, which presents a potential liability to shareholders of about £11m. The figure represents three times the annual salary of all seven directors. PosTel plans to vote against the re-election of those directors on three-year rolling contracts up for re-election at Glaxo's annual general meeting later this year.

A small but growing number of companies has heeded PosTel's warning. Four FT-SE 100 companies, including Ladbroke, the leisure group, have decided to put new directors on two-year rolling contracts, and nine other companies in the index have moved, or are planning to move, all their directors to acceptable contracts.

The most striking example of the influence of PosTel and other institutional shareholders is the announcement by Guinness, the drinks group, last week that three of its executive directors had moved from three-year rolling contracts to three-year fixed-term contracts to be renewed annually.

Guinness said the company's "non-executive committee", which sets executive pay, had made the change after it had "listened to shareholders", including "one shareholder in particular". Its most recently published report and accounts for the year ending December 31 1993 showed the company had agreed to pay Mr Crispin Davis, an executive director until his resignation last October, the sum of £670,000. Such pay-offs should no longer be made.

Other examples of companies which have pruned their directors' three-year rolling contracts include British Gas and Argyll, the UK's third-largest food retailer, which announced its move at its annual meeting last month. At British Aerospace the three-year rolling contracts of three executive directors, including chief executive Dick Evans, are set to be cut soon. Textiles group Courtaulds is also considering PosTel's demand to shorten contracts. Mr Sipko Huismans, chief executive, was one of the first directors to have his re-election voted against by PosTel at the company's annual general meeting last month, though his re-election went ahead.

While many UK companies have been swayed by PosTel, some companies and fund managers are critical of Mr Ross Goobey's stance. Some argue the campaign will do little to reduce the size of pay-offs. "PosTel's move is like pushing a balloon in one point which then comes out in another point. Life may not be as simple as PosTel thinks," one fund manager said.

Companies such as Thorn EMI, where four directors including chairman Sir Colin Southgate are on three-year rolling contracts, say they will resist PosTel. Other opponents have tried to sidestep a possible confrontation. At BAT, for example, whose own Threadneedle Asset Management subsidiary has £30bn under management, six executive directors – five of whom have three-year rolling contracts – have had a clause inserted in their contracts by the company which says that they must search for another job if they are forced off the BAT board. If they do not, their compensation will be affected. Whether the clause is sufficient to ward off action by PosTel against the directors with three-year rolling contracts is unclear.

'There is general concern on our committee that we do not want to damage relationships with companies'

For a small, but influential, group of fund managers and severance pay lawyers, PosTel's campaign does not go far enough. They argue that pruning one year off directors' contracts will do little to cut pay-offs, and that Mr Ross Goobey should concentrate on persuading companies to be tougher in compensation negotiations. "The size of pay-offs should be the issue and not the length of contracts," one director said.

According to Ms Melanie Tether, a partner in City law firm Norton Rose who specialises in employment law, reducing a director's notice period from three to two years is likely to reduce the average pay-off from twice basic salary to one and a half times. While directors can claim up to three years' pay on a three-year rolling contract, they usually settle for less.

"Moving from three years to two years will not make a big difference to the size of payments as the third year is the one the company has the strongest case for not paying out," she said, because most former directors should have found a job after two years.

Ms Tether said institutions should try to persuade companies in which they have a significant stake to go through with "one or two test cases" in which they show willingness to take former directors demanding substantial pay-offs to court. The threat of court action could be based on an executive's poor performance, for instance, or on his or her failure to seek new employment. At the moment, less than 5 per cent of executive pay-off negotiations in which she had been engaged had ended up in court, she said.

The view that companies should be tougher in pay-off negotiations is supported by Mr Peter Brown of the Top Pay Research Group, an independent pay consultancy. "PosTel's stance is entirely positive," he said. "But there should be more of an emphasis on mitigation – one or two cases will sort it out."

PosTel points out that most large companies refuse to use legal action to limit pay-offs, even to directors forced out for poor performance because it is both costly and time-cosuming. Mr Ross Goobey admits that his campaign is "a bit of a blunderbuss – but then at least it is doing something about the issue... We shall monitor the effect of a general move to two-year contracts before deciding our next move."

For some, the public nature of Mr Ross Goobey's initiative is its most important characteristic, regardless of its effectiveness. "The PosTel decision represents a major boost for proxy voting in the UK as it is the first time that a major institutional investor has publicly announced a voting policy which is specifically intended to change boardroom practice," said Mr Stuart Bell, research director of Pirc.

Mr Ross Goobey's influence in changing boardroom practices will be put to the test next month at a meeting of the investment committee of the Association of British Insurers. On the agenda for discussion is the possible damage that the campaign is doing to the relationship between companies and institutional shareholders.

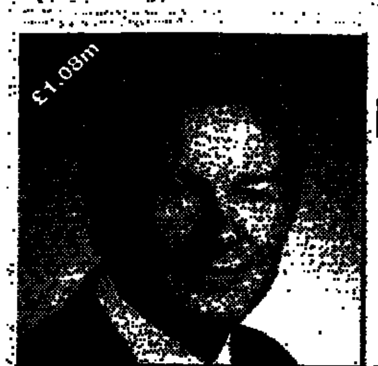
One committee member said: "We want to try to contain the damage that has been done. There is general concern on our committee that we do not want to damage relationships with companies." He said PosTel's move could lead to companies bucking the trend towards openness which started after the Cadbury report.

"A crusade in the press is not our style," said a spokesman for Mercury Asset Management, the fund management group. "We believe we can be just as effective by maintaining a healthy dialogue with the managers of the companies in which we invest."

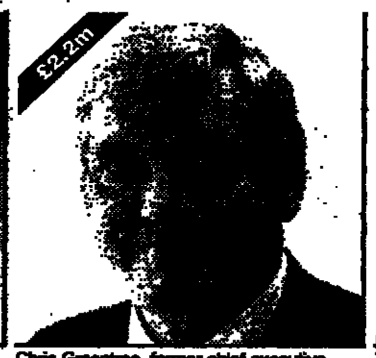
There are, though, some signs of support for PosTel from other institutional shareholders. The National Association of Pension Funds, for instance, has said it is considering modifying its advice to members on *contracts ahead of possible modifications* to the Cadbury Code in 1995.

And one other leading institutional shareholder said it had also started voting at annual general meetings against the re-election of those directors who sanction large pay-offs. A spokesman said: "It's simple really – if someone succeeds, they are entitled to lots of money. But if they fail, they should not be made rich. We are striking at the directors who really count."

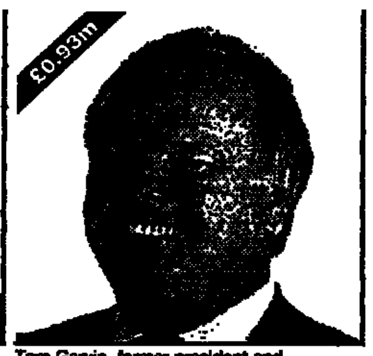
The big executive pay-offs



Stephen Brown, former chief executive, Tate & Lyle



Chris Greentree, former chief executive, Lasmo



Tom Garvin, former president and chief executive, Keebler (United Biscuits)

Peter Davis, former co-chairman, Reed Elsevier

John Cahill, former chairman, British Aerospace

Crispin Davis, former executive director, Guinness

Source: Pirc

OBSERVER

Gummer's just in time

■ UK environment secretary John Gummer clearly rubs along rather better with the European Union's environment commissioner than he does with his opposite number in Norway.

Far from being called unfortunate names, Gummer was last weekend on the receiving end of sumptuous hospitality from John Paleocrassas, the EU commissioner.

Entertaining on his staunchly orthodox native isle of Andros, Paleocrassas first managed to drum up a Catholic priest to celebrate the feast of the Assumption specially for the Gummer family. Then, on a more secular note, the Andriots turned out in force for the annual Yacht Club dance. On a moonlit waterfront, Gummer led the proceedings and was later spotted doing an energetic Greek *nisiotiko* with his hosts. His efforts at the latter earned him the approval of one cigar-chomping tycoon who was heard to mutter something about "a real sense of rhythm". But then, as a Catholic, that's the only method he has any practice at.

Departure rate

■ One by one the contenders who missed out on the editor's job at The Economist are jumping ship. Mike Elliott, the former Washington bureau chief, has long since left to be Newsweek's diplomatic editor and yesterday Matt Ridley, the youngest of the bunch who left last year, picked up his first non-executive directorship at the Northern Rock Building Society.

Now comes news that Jim Rohwer, the mag's executive editor, is quitting after 13 years to join CS First Boston's economics team. The 45-year-old Californian only returned to London this year after three years as Asia correspondent. Now he is heading back to Hong Kong where he will provide the big picture on the region's fast-growing economies.

His arrival at CS First Boston should help raise the average age of the firm's teenage scribblers.

Potty talk

■ It is rare indeed for an Australian teapot to be the centre of a diplomatic incident. However, Australia's ex-prime minister Bob Hawke has managed to elevate the case of his disappearing antique tea-pot into something of a *cause célèbre*.

Indeed, future chroniclers of late 20th century Australian politics may well date the breakdown in friendly relations between Bob Hawke and Australia's current prime minister, Paul Keating, to the tea-time dispute in Bob Hawke's sitting room one weekend in the early 1980s.

The spat is culled from Hawke's just published memoirs. Apparently, Keating, well known for his love of antique clocks and cutlery, had left a favourite and carefully wrapped antique tea set with Hawke to look after for a weekend while he was out of town. Hawke thought the tea set was a gift and used it to serve Keating tea when he returned to collect it.

"Paul, close to apoplexy, grabbed the pieces, went to the kitchen, wrapped them up, took them home and repeated the loving process of polishing and wrapping," is Hawke's version of what happened next. After that, it seems, their relationship was all downhill.

Keating has tried to maintain a statesmanlike attitude to his predecessor's revelations published yesterday.

However, he could not avoid taking a side swipe when launching a television university learning programme. "This, of course, is not the only launch today, but I'll bet pounds to peanuts that this one has a longer-term influence on Australia than the other one."

As for Hawke, he insists his book is a balanced history, but has backed down from an earlier undertaking to take a lie detector test to defend it.

'I want the profits from my gall bladder to stay in this country'

Quavering

■ Observer's passing reference to The Hecklers – a band of musical terrorists whose mission is to rid Britain of the "sonic sewage of modern music" – has struck a chord. Several readers have written to ask how they may join the club.

Keith Burstein's your man. He's a composer who first saw action when he joined in the booing at the end of Sir Harrison Birtwistle's opera *Gawain* earlier this year. However, when the editor of a high-brow musical publication described Burstein's criticism as "bollocks", Burstein decided he had to raise his own campaign by a couple of octaves.

Last week, he held a debate ahead of a promenade concert featuring Sir Peter Maxwell Davies's Fifth Symphony. A gratifying number of publishers of *avant garde* cacophony was present to talk about whether modernism will survive the 20th century. Anyone interested in further events can ring Burstein on 081-675 2252 – but please don't heckle.

Hood-lum

■ A colleague on holiday in France reports the loss of a prized possession. Or should that read "prised"? An unknown trophy hunter has walked off with the emblem from his car's bonnet.

No Rolls-Royce Flying Lady this, nor even a rare Wartburg, but the rather more humble Vauxhall "griffin" badge.

The various Mercs, BMWs and Saabs in the same car park had not been touched, so maybe Vauxhall badges have now become collector's items, rather as VW emblems were a few years ago.

Perhaps there is a certain cachet on the Continent in having an English badge in your collection. If so, there is a certain irony: the replacement "griffin" was made in Germany.

Old clanger

■ The country fair was dragging to a close. Even the vintage car stand had failed to pull a crowd – except for the small boy who had wanted to know if the vehicle's owner had had the thing from new.

FINANCIAL TIMES

Wednesday August 17 1994

Russia moves to defend its nuclear controls

East German arrested with plutonium 'sample'

By Christopher Parkes in Frankfurt and John Thornhill in Moscow

An east German man was arrested in Bremen last weekend while attempting to hand over a "sample" of supposedly Russian plutonium to a German undercover agent, it emerged yesterday.

Following last week's capture in Munich of two Spaniards and a Colombian carrying some 300 grammes of plutonium on a Lufthansa flight from Moscow to Munich, the news sparked demands from German politicians for more information and tighter links between federal and regional security forces.

Mr Bernd Schmidbauer, Chancellor Helmut Kohl's security adviser, who visits the Russian capital this week, will appear before a parliamentary commission today and is expected to address the plutonium issue.

The Bremen arrest prompted further Russian denials that its controls over nuclear materials were not working. An official from the embassy in Bonn claimed there was no evidence, only western prejudice, in the cases reported.

In Moscow, Russian security officials claimed foreign governments were trying to exploit public concern raised by discoveries of weapons-grade plutonium in Germany to justify interference in Russia's internal affairs.

According to German legal officials, the Bremen arrest involves an unnamed 34-year-old living in Lower Saxony who had offered to supply up to 70g of the plutonium. He also provided a certificate to prove its authenticity, which suggested it came from a Moscow scientific institute. Preliminary analysis showed the 2g "sample" contained 0.05mg of mixed plutonium and americium, elements commonly generated in nuclear power reactors.

In a development suggesting tensions between the secret services and civilian legal authorities, an unidentified man claiming to be the undercover agent on the case accused the arresting officers from the prosecution service of interfering with his work.

He said in a television broadcast that the rest of the material could be "wandering around north Germany". However, the Bremen prosecutors said they arrested the man because of potential danger to the public. They believed the remaining 68g were unlikely to be still in Germany.

The agent also claimed former members of the east German Stasi state security service had set up a smuggling operation from small Russian boats plying Germany's Baltic coast.

In Moscow, the German embassy said its overriding concern was simply to find the source of the nuclear material.

Scientists believe it should be possible to trace the origin of the plutonium-239 by studying its isotopic concentrations which leave a distinctive "fingerprint". There are thought to be only three plants in Russia capable of producing plutonium-239.

Unilever launches cash back scheme in soap war

By Ronald van de Krol in Amsterdam

Unilever, the Anglo-Dutch consumer products group, has raised the financial stakes in its continuing "soap war" with US rival Procter & Gamble by offering hefty rebates to Dutch consumers who buy its new washing powder.

For this week only, shoppers in the Netherlands are being offered a Fl 10 ($5.70) rebate on the normal Fl 16.85 price of a packet of Omo Power. Unilever claims the new powder has revolutionary cleaning power, but P&G says it damages clothes after repeated washings.

The rebate scheme is limited to the Netherlands, where Unilever has suffered most heavily from P&G's claims. There are currently no plans to extend the temporary price cuts to the UK, where the powder is sold as Persil Power, or to other European markets.

Unilever described the rebate as a normal marketing instrument designed to win customers for a new product. A smaller Fl 3.00 rebate had been offered on some packets when Omo Power was launched in the Netherlands in April.

In early June, Dutch sales of Omo Power were hit hard after P&G's claims first surfaced in a Rotterdam-based newspaper, but a spokesman said yesterday that sales in the Netherlands had picked up again in recent weeks.

He declined to say whether sales had recovered to levels seen before the feud or to give details of how much the rebates were expected to cost Unilever. The company said last week market share had risen in the UK and France despite the controversy about the new powder.

In large newspaper advertisements this week, Dutch consumers who buy Omo Power have been told to send the bar code from the packet to the company, together with an application form printed on the ad and a receipt from the supermarket to prove that the powder was purchased this week. The Fl 10, plus the cost of postage, would then be transferred to their bank account.

Unilever's advertisements make much of independent tests into the effectiveness of Omo Power, whose composition was adjusted after P&G argued that the powder's manganese-based accelerator could harm clothing. However, Unilever says its product has been a success. "That's why we want to treat you – to Fl 10," the advertisements say.

Some analysts had expected the unusually public war between the world's two leading soap manufacturers to affect Unilever's second quarter results. However, the company on Friday revealed a better-than-expected rise in profits, with no obvious effect from the row.

THE LEX COLUMN

Fed's firm hand

Yesterday's increase in US interest rates is welcome. It is evidence that the Federal Reserve is prepared to act early to dampen inflationary pressures. With the US economy poised to grow nearly 4 per cent this year and the recovery in its fourth year, capacity constraints cannot be far away. There must also be a limit to how long industry can shoulder higher raw material prices without these feeding through into retail price inflation. The bitter history is that once inflation is clearly visible, it is already too late for central banks to act.

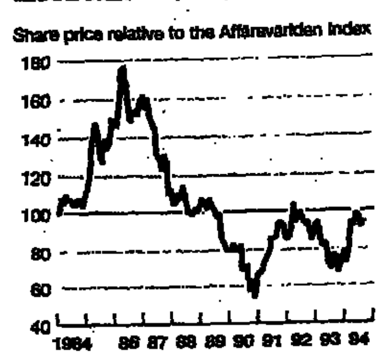
The Fed's strong line on inflation, though widely expected, should underpin US bond markets. Interest rates will have to rise again towards the end of the year but the half-point increase in official interest rates means there should be a respite for at least a few months. The dollar should also be less vulnerable.

The Fed's move is good news for European bond and equity markets, which tend to take their lead from US bond markets. A more important factor, though, will be how the Bundesbank acts in the coming days and weeks. Markets are still divided over whether German interest rates have hit their bottom. A further downward tick in the repurchase rate following tomorrow's Bundesbank council meeting is a possibility. That would probably give short-term relief to other European markets, which are struggling to maintain their attraction in the face of a strong DMark. But with signs that the German economy is motoring ahead, the Bundesbank would be wise to hold rates steady for now and prepare markets for an upward move in the New Year.

FT-SE Index: 3147.3 (+5.1)

Electrolux

Share price relative to the Affärsvärlden index



Source: Datastream

Electrolux

Electrolux's empire-building has yet to produce the right result for shareholders. Group sales have almost trebled since the acquisition of Zanussi in 1984. But operating profits last year were barely higher. The 30 per cent rise in the shares this year only makes up ground lost to the Swedish market over the decade. Even allowing for the deeply cyclical nature of its white goods and aluminium businesses, that must be counted as a disappointment. The question is whether yesterday's impressive first-half results mark the moment when the strategy starts to pay off.

The operational gearing implied by yesterday's figures is certainly a reason for optimism. Sales increased by an underlying 8 per cent yet operating profits rose by 71 per cent. The manufacturing rationalisation and cost-cutting which depressed profits over the years seem to be bearing fruit. Operating margins of over 6 per cent – last achieved in 1989, against 4.5 per cent in the first half – should be within reach.

Competition from the likes of Whirlpool and General Electric could yet upset such calculations. The white goods market has so far been spared the ferocious discounting of consumer electronics. In Europe, though, Electrolux now looks fully capable of defending itself. By adding AEG's appliances business to its portfolio earlier in the year, Electrolux denied its rivals market share and another valuable brand. There is still work to be done: returns in the US remain too low and it is difficult to see what the group brings to aluminium smelting. But these are minor problems compared to those it would be facing if it had sat back and watched the industry restructure.

Hanson

The more bullish medium-term profits forecasts for Hanson depend heavily on the recovery potential at Quantum Chemical. So its strong £46m profit contribution in the third quarter was particularly encouraging. As ethylene and polyethylene prices have continued to improve there should be plenty more to come. SCM Chemicals, which was lagging behind the general improvement in the first half, has also seen prices start to harden.

The strong third quarter has pushed up underlying growth in operating profits from around 9½ per cent in the first half to an estimated 12 per cent in the nine months. Although the third quarter was slightly flattered by comparison with an unusually weak period for Imperial Tobacco last year, the trends are strongly positive. Given the shares' high rating, the market expects nothing less.

On some brokers' forecasts, the shares are on a premium to the market as far ahead as 1996. While the shares yield a fat 5.7 per cent, Hanson needs to rebuild dividend cover significantly given the cyclical nature of its businesses and the longer-term threats to Imperial Tobacco's profits. Disposals, such as the Ertl float, are revitalising the balance sheet but even at the full price suggested it is not expected to enhance earnings. Before long, some of the old Hanson magic will be required to justify the rating.

Directors' pay

If institutional shareholders want to end the sort of compensation package Reed Elsevier agreed with Mr Peter Davis, they will have to do more than call for the abolition of three-year rolling contracts. It is hard to judge what difference it would have made had Mr Davis been on only a two-year contract. But since the bulk of the £2m settlement consists of enhanced pension entitlements for two years, it is safe to assume not much.

The award is by no means the most extreme example of corporate largesse in recent years and few would deny that Reed's shareholders have been handsomely rewarded during Mr Davis' stay. The company says that this was reflected in the size of the settlement as were the chances of his getting another job.

Perhaps in an ideal world, executives would have contracts which paid out only until they found another post. But this is widely considered impractical if only because it provides them with no incentive. It should, however, be possible to link compensation more explicitly with performance. Unless companies get tougher in negotiating severance terms on an executive's departure, there will be increasing calls for contracts to be a maximum of one year. Such a move would be fiercely resisted by companies. Handsome pay-offs can be a convenient way of keeping disgruntled former directors quiet. But it would be hard to convince investors that paying hush money was in their interests.

Israel

Continued from Page 1

the right of Israeli companies to invest an unlimited amount of their working capital abroad, abolishing a rule limiting such investment to 40 per cent of their capital.

Separately, companies will now be able to invest up to 10 per cent of their equity or 5 per cent of sales – whichever amount is the largest – either in foreign stocks or in deposits in foreign banks, both of which have hitherto been off limits. Previously only companies which exported goods could hold a proportion of their export revenues abroad.

Foreign companies will now also be allowed to raise capital on the Tel Aviv exchange, but the bank indicated that legislation would be required and it that does not yet have a timetable for the change.

UK error

Continued from Page 1

the award of contracts on other criteria within the framework of rules existing at the time this directive is adopted, whose aim is to give preference to certain tenderers, on conditions that the rules invoked are compatible with the Treaty of Rome."

It was this crucial opt-out that enabled the British government to continue subsidising disabled workers in sheltered workshops.

However, the crucial paragraph was not included in the new consolidated directive, which UK officials believe cannot be amended; they say legislation would be needed to remedy the omission.

Rover to develop cheaper fourwheel drive vehicle range

By Kevin Done, Motor Industry Correspondent, in London

Rover Group, the leading UK carmaker and a subsidiary of BMW of Germany, is planning to develop a new range of smaller Land Rover fourwheel drive vehicles as part of an ambitious five-year new model investment programme.

The group is planning to increase investment to around £1.5bn ($2.32bn) during the next five years from the £1.2bn spent on new model development in the previous five years, said Mr John Towers, Rover chief executive.

"We are now openly committed to increasing our investment in the next cycle of new models," he said.

The group has spent around £300m to develop a luxury Range Rover to be launched as a new flagship for the group in the autumn, but it is understood that Rover is seeking to expand its presence in the fast growing world market for fourwheel drive sports/utility vehicles, where it is already the leading European manufacturer.

Land Rover, the group's specialist fourwheel drive division, is planning to launch a new vehicle range, probably in 1997, positioned below its current Range Rover and Discovery ranges and designed to appeal to younger car buyers.

Such a vehicle would compete with rivals such as the Suzuki Vitara and the recently launched Toyota RAV4.

Mr Towers said that "Land Rover should be part of creating opportunities for people further down the range".

"It is sensible and right to consider a business proposal to allow Land Rover to spread its net and create an ability below Discovery prices to attract people into the Land Rover fold."

The Discovery itself, currently priced in the UK between £17,600 and £26,800, has already transformed Land Rover's fortunes and has opened up new market segments since it was launched in 1989 to complement the luxury Range Rover and the utility Defender ranges. It accounted for 50 per cent of Land Rover sales last year.

"We have a further opportunity to invite people to get involved below the Discovery, but not far below," said Mr Towers.

Total Land Rover sales jumped by 30 per cent last year to a record 73,527 from 56,450 in 1992, and Land Rover output has increased further by 35 per cent to 43,600 in the first six months of this year, helped by the launch of the Discovery in the US last spring.

Land Rover sales in the US in the first seven months of the year have more than doubled to 5,640 from 2,572 in the corresponding period a year ago.

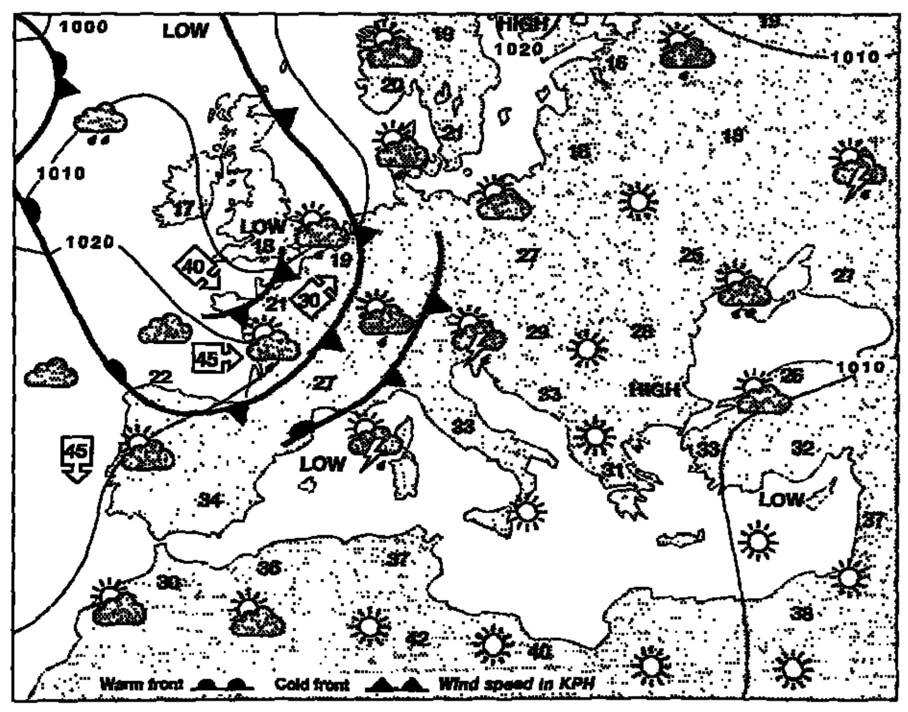
FT WEATHER GUIDE

Europe today

Low pressure will affect much of western Europe. An active frontal zone followed by cool, unstable air will produce rain and showers in France. A separate low will cause moderate to heavy rain over the southern UK and it will be breezy in the Channel area. The showers and cool westerly winds will spread into the Benelux later. Meanwhile, Spain will have abundant sunshine with tropical temperatures in the south but cloud and showers are expected in the north. High pressure from Scandinavia to Greece will give sunny conditions. Temperatures will range from 15C in Finland to a sultry 32C in Greece. Warm air over central Europe will gradually be pushed north.

Five-day forecast

On Thursday, heavy rain will cross Austria, the Czech Republic and Poland before moving into far east Europe. Most of western Europe will be cool, dry and partly sunny on Thursday. The UK will be changeable during the day. A new autumn-like depression will influence north-west Europe, including Scandinavia, at the end of the week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	42
Accra	cloudy	26
Algiers	fair	35
Amsterdam	rain	19
Athens	sun	32
Atlanta	fair	33
B. Aires	sun	18
B.ham	rain	15
Bangkok	rain	33
Barcelona	fair	29
Beijing	fair	31
Belfast	rain	17
Belgrade	sun	29
Berlin	sun	24
Bermuda	fair	30
Bogota	fair	20
Bombay	rain	31
Brussels	rain	20
Budapest	sun	28
C.hagen	fair	19
Cairo	sun	38
Cape Town	sun	17
Caracas	shower	27
Cardiff	rain	16
Casablanca	fair	27
Chicago	fair	26
Cologne	cloudy	22
Dakar	fair	31
Dallas	fair	38
Delhi	fair	29
Dubai	sun	42
Dublin	rain	17
Dubrovnik	sun	31
Edinburgh	shower	18
Faro	sun	29
Frankfurt	shower	23
Geneva	shower	22
Gibraltar	sun	30
Glasgow	cloudy	18
Hamburg	shower	19
Helsinki	fair	17
Hong Kong	rain	30
Honolulu	fair	32
Istanbul	sun	26
Jakarta	fair	31
Jersey	rain	16
Karachi	cloudy	34
Kuwait	sun	47
L. Angeles	sun	24
Las Palmas	sun	27
Lima	cloudy	16
Lisbon	sun	28
London	rain	18
Lux.bourg	shower	20
Lyon	shower	23
Madeira	sun	25
Madrid	fair	33
Majorca	sun	33
Malta	sun	35
Manchester	rain	15
Manila	fair	31
Melbourne	shower	10
Mexico City	fair	23
Miami	fair	35
Milan	fair	29
Montreal	thund	27
Moscow	shower	17
Munich	shower	23
Nairobi	shower	25
Naples	sun	33
Nassau	shower	33
New York	cloudy	29
Nice	fair	29
Nicosia	sun	41
Oslo	fair	20
Paris	shower	21
Perth	sun	21
Prague	sun	27
Rangoon	rain	30
Reykjavik	cloudy	13
Rio	cloudy	27
Rome	sun	32
S. Frsco	sun	23
Seoul	shower	32
Singapore	shower	31
Stockholm	sun	19
Strasbourg	cloudy	23
Sydney	fair	15
Tangier	fair	27
Tel Aviv	sun	37
Tokyo	sun	29
Toronto	fair	25
Vancouver	thund	21
Venice	fair	29
Vienna	sun	29
Warsaw	fair	24
Washington	rain	29
Wellington	cloudy	12
Winnipeg	cloudy	22
Zurich	cloudy	20

PEOPLE

ICI appoints finance director

Alan Spall, 49, has been appointed finance director of Imperial Chemical Industries as part of a move to bring some younger faces into the increasingly elderly boardroom of Britain's biggest chemicals company.

Spall, who joined ICI in 1970 after qualifying as a chartered accountant with Thomson McLintock, takes over from Colin Short, 59, who is being moved sideways. Short, a former treasurer of Chevron who joined ICI in 1990, has been given responsibility for the Eastern hemisphere, which will enable him to devote more time to his new job as deputy chairman of ICI Australia, ICI's biggest affiliate. Short retains responsibility for planning.

ICI plays down any suggestion that Short, who played a key role in defending the company against Hanson, has been demoted. Short is less than three years away from retirement and knows the Eastern hemisphere well from his days in the oil industry.

Sir Denys Henderson, 61, the chairman of ICI, and chief executive Ronnie Hampel, 61, are both expected to retire in 1995 and ICI is keen to bring a younger generation of managers into the boardroom. The effect of the current changes is to reduce the average age of the ICI executive directors from 57 to 54.

The company announced yesterday that Chris Hampson will leave next April when he reaches the normal retirement age of 62 and will be replaced on the board by Mike Brogden, 55, who joined ICI in 1960 as a technical officer in the dyestuffs division. Brogden has been chief executive of ICI Chemicals and Polymers since May 1992 and will retain his responsibility when he joins the board next May.

The latest reshuffle does not appear to give any more clues as to the likely successors to Henderson and Hampel, who have both agreed to stay on after the normal ICI retirement age. Although Spall, ICI's general manager in charge of finance, is under 50, Rob Margetts, 47, who has been on the ICI board for over a year, is still regarded as the front runner.

Bond resigns from Arjo Wiggins

Arjo Wiggins Appleton, the Franco-British paper group, has dismayed UK institutions again with its announcement yesterday that the charismatic Gordon Bond, its American executive director, has resigned.

Bond, who previously ran the US Appleton operations, was only appointed in January as chief executive of the company's printing and writings division, which included the European carbonless papers, fine papers and coated papers businesses, as well as Ceasa, the group's pulp mill in Spain.

The move is a serious blow for AWA. Of the group's operational directors, Bond was undoubtedly the most successful and had the highest profile. AWA's shares closed down 23p to 226p.

Although AWA would not say what had caused the boardroom bust-up, there appears to have been a personality clash between the strong-willed French chief executive Alain Soulas and Bond who was used to running his operations with considerable freedom.

Behind the scenes AWA stressed the resignation had had nothing to do with any deterioration in the performance of Bond's division, nor any disagreement over the group's strategic direction, nor by any desire to relocate the group to France. The group has a substantial minority French shareholder.

■ **Derek Hudson** has retired from AVON RUBBER.
■ **Alan Chilton** has resigned as sales and marketing director of SCOTTISH TELEVISION.

Medeva picks internal candidate

Medeva, the drugs company which saw its share price thoroughly battered after a profits warning in July, has picked its one internal candidate, European regional director Bill Bogie, for the new post of chief executive with effect from the beginning of next year.

Executive chairman Bernard Taylor, who announced his intention to split the top management spot at the interims in August, says that as the headhunters got to work, it became clear that Bogie, who only arrived in April, was "head and shoulders" above the rest of the potential candidates.

Bogie, 49, has impressed his new chairman by "grasping the nettle" over Europe, "neatly executing a potentially painful rationalisation".

His background also matches the company's requirements for a chief executive "steeped in pharmaceutical lore". A medical doctor by training, Bogie spent four years in the Health Service before joining Hoechst Pharmaceuticals, initially on the research side, in 1972. He worked in Germany and the US in the early 1980s, and later ran Hoechst Pharmaceuticals in the UK before joining Medeva.

When Bogie takes over, the company's founder Ian Gowrie-Smith will relinquish his title of managing director. "That will not change his task qualitatively; he was always the corporate development man," says Taylor, conceding that, given the company's enfeebled share price, "we have difficulty in generating enough acquisition work to keep him interested".

While no directors would be getting bonuses this year, Gowrie-Smith's basic salary of £287,000 would be reviewed when the company had "a better assessment as to what the future holds for near term acquisitions", Taylor added.

The shares closed up 1½p at 139p yesterday.

Non-executive directors

■ **Sir Allen Sheppard**, chairman of GrandMet, at BOWATER.
■ **Sir John Hoskyns**, chairman of the Burton Group and a former director general of the Institute of Directors, at EMAP.
■ **James Lee**, md of Lee & Co and a former director of Pearson, at PEARSON's Television Holdings.
■ **Barry Smith**, former executive director, at ELBIEF.
■ **John Ashworth, David Macdonald, Morris Miller** and **Peter Russell** have resigned from The NORTH BRITISH DISTILLERY COMPANY following its acquisition by Lothian Distillers.
■ **Stephen Ellis**, founder shareholder and chairman of Viking Packaging, at GOODHEAD GROUP.
■ **Robert Dolman**, a partner of Wedlake Bell, as chairman at FAMILY ASSURANCE FRIENDLY SOCIETY.
■ **Harold Bailey** has resigned from CLYDE PETROLEUM.
■ **Tom Forsyth** has resigned from ARLEN.
■ **Bruce Fireman**, a former director of Newspaper Publishing, at CULVER HOLDINGS.
■ **Christopher Arnander**, chairman of the Royal College of Music Development Fund and a former director of BZW, at RECORD TREASURY MANAGEMENT.
■ **William Fulton** has resigned from CLAYHITHE.
■ **Sir Hugh Bidwell**, former Lord Mayor of London, as chairman at APPLIED DISTRIBUTION (GROUP), the holding company of ADL.
■ **Geoffrey Langlands**, director vice-president of Banco Simonsen, at TEMPLETON EMERGING MARKETS INVESTMENT TRUST.
■ **Andrew Barr**, chief executive of Aerostructures Hamble, and **Daniel Hodson**, chief executive of Liffe, at RANSOMES.
■ **Peter Saunders**, former md of United Artists Communications (London South), at ALLIED RADIO.
■ **George Capon**, recently retired partner of Touche Ross, at BLOCKLEYS.
■ **Robert Green** has resigned from SURREY GROUP.
■ **Graham Winfield**, retired chief executive of BOC's overseas division, as chairman of BOOKER TATE.
■ **James Best**, md of UBS in London, at ORIEL GROUP.

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INTERNATIONAL COMPANIES AND FINANCE

Gold producers say defence acts against shareholders

Bidders for Lac seek to have 'poison pill' removed

By Bernard Simon in Toronto

The two gold producers bidding for Toronto-based Lac Minerals will ask the Ontario Securities Commission tomorrow to dissolve a "poison pill" which Lac has put in place to discourage predators.

American Barrick and Royal Oak Mines are expected to argue that the poison pill was designed to give Lac's directors time to find better offers, but that it now deprives shareholders of the ability to choose between competing bids.

Lac's directors have rejected both bids, saying shareholders would be best served if the company remained independent. Lac is expected to oppose the application to suspend its poison pill.

Royal Oak's C$2.4bn (US$1.73bn) offer, comprising cash and shares, is due to expire on Friday. American Barrick's bid is worth about C$2.1bn, but is widely considered to be more attractive because its paper is more desirable and more liquid. Royal Oak is by far the smaller company and its mines are relatively high-cost operations.

The Barrick offer expires on August 26. Barrick will ask the commission to allow both bids to expire at the same time "so investors will have a meaningful choice between them".

Lac, which is widely owned, put a "shareholder rights plan" in place in 1991. The poison pill would be triggered if any outsider acquired more than 15 per cent of Lac's shares. The directors would be able to thwart a full takeover by issuing shares at a substantial discount to existing shareholders.

Barrick's lawyers said in a letter to the commission that Lac has had "ample time" to seek alternative offers since Royal Oak unveiled its first bid on July 7.

"The defensive wall created by the rights plan is beginning to operate to the detriment of Lac shareholders by denying them access to the outstanding offers," the letter said. "Any suggestion that the rights plan be kept in place in order to enforce the so-called 'stand-alone option' would be abhorrent to investors."

● Mr John Palmer, senior partner in the Toronto accounting firm of KPMG Peat Marwick, will take over as Federal Superintendent of Financial Institutions on September 1, **writes Robert Gibbens in Montreal.**

The Canadian government's choice was announced shortly after the failure of Confederation Life Insurance. The Office of the Superintendent of Financial Institutions last week took control of Confederation Life.

Mr Palmer, 50, succeeds Mr Michael Mackenzie, whose term expired in July. Mr Mackenzie held the job through the worst financial services industry shakeout since the 1930s.

Philips, KPN join Graff in pay-TV venture

By Ronald van de Krol in Amsterdam and Andrew Adonis in London

Philips, the Dutch electronics group, and KPN, the Netherlands' recently-privatised telecommunications operator, are to enter the European pay-television market in a joint venture with Graff Pay-Per-View, a US company.

The three companies plan to start services in pay-per-view television to European cable operators in September.

Pay-per-view, which allows viewers to choose programmes and pay only for what they see, is seen as the next advance for Europe's cable operators, and for telecommunications operators seeking a move into entertainment. All the main operators are conducting trials, aiming to offer a full video-on-demand service.

Analysts said the Philips-led joint venture would have more impact on the Dutch market with its 95 per cent cable penetration. But this is mostly narrow-band capacity without advanced inter-active services.

In the other main European markets, the venture faces strong competition from established operators and programming providers.

Mr Neil Blackley, media analyst at Goldman Sachs, said Graff, one of the largest US providers, appeared to have failed to establish itself as a prime pay-per-view provider in the UK, where satellite and cable operators are expected to contract directly with programming providers.

Philips, eager to bolster its "new media" presence, will own 45 per cent of the venture, with KPN holding 35 per cent and Graff the remaining 20 per cent.

The companies declined to give financial details, but KPN said its share would run into tens of millions of guilders.

Graff, which operates 11 channels of pay-per-view television in the US and delivers programmes to cable operators with a combined audience of more than 10m subscribers, said: "We are confident the new company represents the perfect alliance to respond to the needs of European consumers for new media services."

Graff will bring to the venture its experience in buying and licensing programming from Hollywood and the rest of the US entertainment industry.

Philips owns stakes in the infrastructure of cable television networks in the Netherlands, Austria, France and Belgium.

The three companies said that a number of European cable operators had already expressed interest in working with the joint venture.

KPN, which was partially floated on the Amsterdam bourse in June, has a 76 per cent stake in Casema, a Dutch cable operator with 1.2m subscribers.

Casema is planning to start pay-TV and pay-per-view in and around The Hague and Utrecht in early 1995, as part of a partnership with the new joint venture.

The potential 400,000 subscribers in these two Dutch cities would be offered several pay-per-view channels, with viewers paying per film or per event, as well as several pay-TV channels in return for a monthly subscription charge.

DnB posts record at mid-term

By Hugh Carnegy in Stockholm

Den norske Bank, Norway's largest bank, recorded its biggest half-year profit in the first six months of this year, helped by the reversal of a long trend of heavy loan-loss provisions.

DnB, state-controlled since it was bailed out of a loan-loss crisis by the government in 1992, reported a pre-tax profit of NKr1.48bn ($208m) compared with a surplus of NKr218m in the same period of the previous year.

The result was achieved in spite of lower interest income and a fall in profits from its bond and share portfolio.

The most striking feature of the result was a net gain of NKr124m made under loan losses, as amounts written back on previous loan losses exceeded new provisions. At the same stage last year, DnB made net provisions of NKr1.99bn.

The turnround followed a similar gain by Christiania Bank, Norway's second largest bank, and provides evidence that the strengthening Norwegian economy is bolstering the recovery of the banks from the crisis of the early 1990s, when most of them come under state control.

"We are pleased that in such a short time the Norwegian business sector has improved its position more than anyone envisaged just a year ago," said Mr Finn Hvistendahl, DnB's chief executive.

"This has enhanced the quality of our loan portfolio and made it possible to reverse a small portion of previous loan-loss provisions," he said.

The volume of non-performing loans was cut at the half-way stage to NKr8.4bn from NKr10.2bn at the end of 1993.

However, DnB, formed in 1990 from the merger of Den norske Creditbank and Bergen Bank, said operating profits before write-downs fell sharply to NKr1.35bn from NKr2.26bn in the same period last year.

Net interest income fell in the first half to NKr2.44bn from NKr2.64bn.

Other income slipped to NKr1.2bn from NKr1.87bn as the interest rate turbulence of the past few months sent bond trading profits spinning down to NKr71m from NKr666m and share profits fell to NKr87m from NKr189m.

UK travel group in strategy shake-up

By Michael Skapinker, Leisure Industries Correspondent

Owners Abroad, the UK's third largest travel company, yesterday renamed itself First Choice Holidays in an attempt to regain market share and restore profitability.

Mr Francis Baron, chief executive since November, said the group's previous unco-ordinated branding and marketing had been the root cause of its poor performance.

The group's eight brands – which included Enterprise, Sunmed and Olympic – are being replaced by three. First Choice will be for the mass market, catering particularly for families.

The group is retaining its upmarket Sovereign brand. The third brand will be FreeSpirit, for adults without children.

On the London Stock Exchange, the group's shares were marked down 2p to 107p. Mr Bruce Jones, an analyst at Smith New Court, said this reflected fears that rivals such as Thomson and Airtours would respond vigorously to the launch of First Choice.

The two larger companies brought out their summer 1995 brochures earlier this month.

Mr Jones said: "Airtours are not the sort of people to say how nice it is to have a strong number three."

He said the rebranding appeared to have been researched thoroughly. "It's almost a classic business school exercise. Analyse the market, analyse where you are and then bite the bullet."

Mr Baron said that Airtours' unsuccessful bid for Owners Abroad last year had not been the cause of his group's problems but the result of them.

Owners Abroad's share of the summer market had fallen to an estimated 12 per cent this year from 16 per cent in 1992. Operating margins had declined to 2 per cent last year from 5 per cent in 1991.

The proliferation of Owners Abroad's brands meant that none could be supported properly, Mr Baron said.

Thomson last year spent £15m advertising two brands and Airtours spent £8.3m on two brands. By contrast, Owners Abroad spent £4.5m on eight brands.

The result was a lack of consumer awareness. In a recent survey, only 3 per cent of consumers showed an unprompted awareness of any of the Owners Abroad brands. By contrast, 55 per cent were aware of Thomson. Many thought Owners Abroad was a timeshare company.

Mr Baron said a £5m provision for the change would be taken in this year's accounts. He hoped the move would help win back 1 per centage point of lost market share next summer.

NEWS IN BRIEF

TCI solo in bid for Madison Square package

Tele-Communications, the largest cable operator in the US, said it had bid alone for the Madison Square Garden arena, related sports teams and regional sports cable television network being sold by Viacom, the entertainment group, **Reuter reports from New York.**

It said it had no financial partners in its bid, and was seeking to buy all of the Madison Square businesses as a single unit.

TCI is competing against at least one other final offer. Sources said ITT and Cablevision Systems submitted a joint bid for the Madison Square Garden businesses.

Other groups, such as Nike and John Labatt, had considered bidding or taking part in joint bids, but pulled out in recent days.

Viacom wants $1bn or more for the businesses.

Nestlé in talks on BBV ice cream unit

Nestlé, the world's largest food and beverages group, yesterday confirmed it was in talks with Banco Bilbao Vizcaya about the sale of the Spanish bank's ice cream division, **Reuter reports from Vevy.**

"We are in an advanced stage of talks with Banco Bilbao," the company said.

It said Nestlé would become market leader in Spanish ice cream if it succeeded in taking over the BBV division. Nestlé presently has the third-biggest market share.

Revenues up 12% at Thomson-CSF

Thomson-CSF, the French defence and electronics group, announced a 12 per cent rise in first-half consolidated revenues, to FFr15.9bn ($3bn) from FFr14.2bn in first-half 1993, **AP-DJ reports from Paris.**

Thomson-CSF noted, however, that revenues were down 11 per cent when adjusted for changes in exchange rates and in the group's basis of consolidation.

Improved traffic helps Thai Airways

Improvements in passenger and cargo load factors helped Thai International Airways to a 3.1 per cent improvement in third-quarter net profits, on a 6.5 per cent advance in operating revenues to Bt15.15bn ($606m), **writes Williams Barnes in Bangkok.**

The company attributed the improved earnings to a rise in traffic, which lifted load factors (passengers and cargo carried) from 64 to 69 per cent.

However, Mr Gerard Kruithof from Peregrine brokerage in Bangkok, said: "The bare figures don't show how much of the profits have been boosted by extraordinary items like commissions from aircraft purchases and so on."

He said the airline could have trouble filling the new aircraft it has ordered. Five aircraft are scheduled to be delivered this fiscal year.

Dutch publisher improves 22%

By Ronald van de Krol

Wolters Kluwer, the Dutch publisher, posted a 22 per cent increase in first-half net profit and predicted a rise of about 20 per cent for 1994 as a whole.

The first-half increase, in line with a full-year 1993 rise of 23 per cent, took net profit to Fl 169m ($97m) compared with Fl 138m in the first six months of last year.

Sales were up 1.8 per cent to Fl 1.28bn, mainly reflecting divestments of non-core activities.

Wolters Kluwer said it saw strong growth in international scientific publishing and in legal and tax publishing in Europe. The group said growth was satisfactory in business publishing, US medical publishing and Dutch educational publishing.

The company expects further acquisitions this year to add to those in Austria, Hungary and the Czech Republic.

The group's strategy in Europe is to concentrate on countries which are eager to join the European Union and where there is demand for detailed information about Europe from tax and legal professionals. Acquisitions in 1994 are expected to add about Fl 200m to the company's annual sales volume.

● Hunter Douglas, the Dutch-based manufacturer of window coverings and architectural products, reported a 35.7 per cent increase in first-half net profit, reflecting strong results in the US and Australia.

Net profit rose to Fl 36.5m ($20.9m) from Fl 26.9m in the first six months of 1993. Turnover was up 14.3 per cent at Fl 970.5m, helped by a 11.6 per cent increase in sales volume.

Hewlett-Packard sustains growth rate in third term

By Louise Kehoe in San Francisco

Hewlett-Packard, the pace setter of the computer industry, maintained its rapid growth in its third quarter with revenues up 22 per cent and a 27 per cent rise in orders.

"We had a very good quarter, with excellent order and revenue growth and substantial profit improvement," said Mr Lew Platt, chairman, president and chief executive.

"We have good momentum going into the fourth quarter," said Mr Platt. But, with typical caution, he added that in spite of improvement in the global economy, conditions, "we expect the competitive environment to remain intense".

Net earnings for the third quarter to July 31 were \$347m, or \$1.33 a share, up from \$271m, or \$1.06, in the same period last year. Earnings per share for the third quarter of 1994 were reduced 3 cents by the inclusion of employee stock options in the number of outstanding shares.

Net revenue was \$6.1bn, up from \$5.0bn last year. Net revenue in the US was \$2.8bn, up 20 per cent, while net revenue outside the US was \$3.3bn, a 24 per cent increase over last year's third quarter.

Earnings were in line with Wall Street expectations. However, the company's exceptionally strong growth in orders booked during the third quarter excited investors, and HP's share price jumped \$5¾ to trade at \$84⅞ in mid-session.

HP said orders booked during the third quarter totalled \$6bn, an increase of 27 per cent over the same period last year. US orders rose 24 per cent to \$2.8bn while orders from outside the US increased 29 per cent to \$3.2bn.

In HP's core computer business, revenues were up 20 per cent at \$4.7bn for the quarter. Orders jumped 28 per cent to \$4.6bn. The company said orders for PC and network servers were "outstanding", with growth substantially outpacing the market rate.

HP's flagship PC printers continued to sell strongly in the quarter and the company said it saw an "excellent increase in orders" for its popular Deskjet models.

For the nine months ended July 31, net revenue increased to \$18bn from \$14.6bn while net earnings grew 28 per cent to \$1.1bn. Net earnings per share were \$4.31, up from \$3.47 in the first nine months of fiscal 1993.

De Beers earnings slip 5% to \$460m after six months

By Mark Suzman in Johannesburg

De Beers, the South African company that dominates the world diamond industry, recorded a 5 per cent drop in earnings to \$460m for the first six months of 1994, down from \$482m a year ago.

However, in rand terms earnings rose slightly to R1.61bn (\$449m) from R1.54bn due to the decline in the rand/dollar exchange rate.

Income before tax, at \$447m, was almost identical to last year's figure of \$444m, but higher taxes of \$101m, up from \$86m, pushed the results down. The dividend was maintained at 25.4 US cents a share. The balance sheet was slightly stronger. Diamond stocks fell to \$4.03bn from \$4.12bn reflecting improved sales.

Mr Julian Ogilvie Thompson, chairman, warned that, like last year, sales for the second half will be substantially below those for the first half, although he declined to estimate what the final sales figure would be.

He also noted that the Central Selling Organisation, the company's marketing arm, would be reducing its level of recent and current sights (sales to the trade). However, he added that jewellery sales were continuing at the improved levels of 1993 and the overall picture should continue to improve now that the global recession had ended.

Although Japanese sales were down 11 per cent in yen terms, the drop was mainly at the cheap end of the market and had been partly offset by a 10 per cent rise in sales in the rest of east Asia.

In spite of the improved outlook, Mr Ogilvie Thompson noted that there had been a deterioration in confidence in the cutting centres. This was largely because of concerns over profitability, a problem which had been exacerbated by the continued large quantities of Russian rough diamonds being sold on to the market outside of the CSO.

On the question of the company's negotiations with the Russian government on sales from its diamond stockpile, Mr Ogilvie Thompson said the talks were progressing on a "sound footing". However, the company admitted that its outside purchases of diamonds were slightly up on last year.

Net losses at TWA deepen as new debt lifts interest costs

By Richard Tomkins

Net losses at Trans World Airlines, the struggling US carrier, deepened to \$57m from \$52.3m in the second quarter to June.

The airline also ended the period with net cash down from \$135m at the end of the first quarter to just \$116.5m.

The company said total revenues rose by 11.7 per cent to \$885.8m and operating losses fell from \$31m a year earlier to \$17.4m.

Interest payments, however, rose by \$19.7m because of new debt issued in connection with its emergence from Chapter 11 bankruptcy protection in November last year.

TWA, which is 45 per cent owned by its employees, has not made a profit since emerging from bankruptcy.

All its credit facilities are drawn, virtually all its assets are pledged, and it has insufficient cash to repay \$190m worth of debt falling due for repayment in January.

Earlier this month it announced plans to cut costs by shedding up to 3,000 jobs, or 12 per cent of its workforce.

It also announced the closure of its operations in Geneva and Zurich, Switzerland, and the suspension of polar flights between Los Angeles and Paris for the winter.

TWA said losses at its Atlanta hub were a substantial contributor to the latest operating loss. At the end of May, TWA reduced its presence at Atlanta, cutting daily flights from 57 to 11 and transferring them to its profitable St Louis hub in Missouri.

Mr Jeffrey Erickson, promoted last week from chief operating officer to chief executive, said the latest results added urgency to the need for management and employees to unite in their efforts to "re-invent" TWA.

"We are moving forward quickly to finalise a new business plan and complete historic negotiations with our unions to improve productivity," he said.

Thinking Machines files for Chapter 11 after shedding jobs

By Louise Kehoe in San Francisco

Thinking Machines, the company that pioneered the use of massively parallel processing (MPP) technology to build high performance supercomputers, has filed for court protection under Chapter 11 of the US bankruptcy code.

The Massachusetts company announced it has made about one-third of its 425 employees redundant and plans to reorganise, "to support the company's existing customer base and aggressively market its technology through licences to other companies".

Founded in 1983, Thinking Machines originated the idea of massively parallel computing: linking thousands of inexpensive microprocessor chips to build a powerful supercomputer.

The approach, which involves breaking down big computing problems into millions of discrete elements and solving them simultaneously, has transformed supercomputing technology.

"Together with our customers, we have opened a new frontier in computing. I am sad we have not been able to turn our technical successes into financial success," said Mr Danny Hillis, co-founder and chief scientist at Thinking Machines.

Like other companies in the supercomputer market, Thinking Machines has been hard hit by cuts in US defence spending. Competition from larger companies, in particular IBM and Intel, has also taken its toll.

Thinking Machines is not alone among MPP companies in facing financial problems. Cray Computer, a spin-off from Cray Research, has yet to sell a computer and has acknowledged that it faces a cash crisis.

Kendall Square Research is also struggling after an accounting debacle in which it overstated sales. Earlier this month the company laid off 80 people.

Newsprint buyers set to resist price rise

By Bernard Simon in Toronto

Champion International, the Connecticut-based forestry group, has caught North American publishers off-guard by announcing its third newsprint price increase this year.

Buyers indicated that they would vigorously resist the latest increase. Low newsprint prices played a significant part in cushioning publishers from the full impact of the 1991-93 recession, and few have budgeted for another increase this year.

Champion's move, which takes the form of a 5 per cent cut in discounts on the \$685 per tonne list price effective from December 1, is expected to be followed shortly by other US and Canadian producers.

One industry expert said that some Canadian companies were considering even bigger increases.

The latest discount cut would bring newsprint prices to \$534.3 a tonne, compared with less than \$420 at the beginning of this year. Champion started implementing its previous 6 per cent discount cut earlier this week.

"Our sense is that demand worldwide is increasing," Champion said yesterday. According to the Canadian Pulp and Paper Association, US newsprint consumption rose by 2.4 per cent in the first half of 1994, and consumer inventories were 24 per cent lower at the end of June than a year earlier.

Demand outside North America has been even stronger. Canadian exports to overseas markets, mainly the UK and east Asia, soared by 44 per cent in June.

Pulp and paper prices have turned round much faster than most market-watchers expected. The latest newsprint increase will coincide with the peak pre-Christmas consumption period.

Furthermore, there could be a scramble for supplies if labour-contract talks under way at British Columbia's pulp and paper mills break down, leading to a strike.

PepsiCo shares rise on buy-back

By Richard Tomkins

Shares in PepsiCo, the US soft drinks and fast food company, jumped \$1⅛ to \$32¼ early yesterday after the company announced that it planned to resume buying back its own stock.

Under a share repurchase programme that came into effect in July last year, the company can buy back 39.6m, or 5 per cent, of its 792m shares in issue. The original programme authorised the repurchase of 50m shares, of which 10.4m have already been bought back.

PepsiCo's shares have been under a cloud since June when the company announced that a price war in the US cola market and poor performances from its fast food operations would result in flat second-quarter profits.

The share price plummeted by 9 per cent to \$31⅛ on the news, and has been hovering around that level since.

Mr Wayne Calloway, chairman and chief executive, said: "With our seasonally strengthening cash flow and the relative valuation of our shares lower than it's been in years, buying PepsiCo stock makes good sense for us right now."

Warehouse side curbs Wal-Mart

By Richard Tomkins in New York

Continued weakness in Wal-Mart Stores' warehouse club operations checked the US discount store group's rate of profits growth at 14 per cent in the second quarter to July, the company reported yesterday.

The figures, however, were in sharp contrast with the worsening losses reported by Kmart, Wal-Mart's biggest rival, the day before. They were also at the upper end of the market's expectations, and the shares rose \$⅝ to \$24¼ in early trading.

Net income for the quarter rose to \$564.8m from \$495.9m on record sales of \$19.9bn, up 23 per cent. Earnings per share rose to 25 cents from 22 cents.

For the six months to July, sales rose 25 per cent to \$37.6bn, net income advanced 12 per cent to \$1.1bn and earnings per share increased 12 per cent to 46 cents.

Until recently Wal-Mart had rewarded shareholders with compound earnings growth averaging 25 per cent a year, but that pace began to flag last year because of the poor performance of the warehouse club operations.

In the latest quarter, sales of the Sam's Clubs rose by 32 per cent to \$4.8bn, but that was because Wal-Mart added the Pace Membership Warehouse division bought from Kmart last year. On a store-for-store basis, sales were 3.6 per cent lower.

In contrast, sales in the core Wal-Mart discount store division were 9.7 per cent ahead on a store-for-store basis.

The division's total sales rose by 22 per cent to \$14.2bn, boosted by new store openings and the acquisition and conversion of Woolworth's Woolco stores in Canada.

Mr David Glass, chief executive, said the company's performance in a very competitive quarter, together with the planned conversion of the remaining Woolco stores in Canada, made him "optimistic" about the remainder of the year.

● J.C. Penney and Dayton Hudson, two of the biggest US department store groups, both reported continued profits growth in the second quarter yesterday.

J.C. Penney increased net income by 17 per cent to \$132m and Dayton Hudson more than doubled net income from \$24m to \$49m.

Goodman Fielder chief to quit

Australia's largest food processor, Goodman Fielder, said its chairman, Mr John Studdy, would stand down once an external successor is found and that two additional non-executive directors would be appointed, Reuter reports from Sydney.

The company's future has been under a cloud recently after a revolt by shareholders, led by Melbourne businessman Mr Doug Shears, whose company Agrifood Australia owns 3.5 per cent of the stock.

"While Mr Studdy has the full support of the board, he recognises the need for a succession plan and the appointment in due course of an external successor," Goodman said.

"The chairman has indicated a desire and a willingness to stand down, when a successor has been found. This transition will ensure the stability of the board and will allow the board to continue its process of change."

Mr Shears had rallied three groups of institutional investors with a combined shareholding of just under 16 per cent to his side, and called for a shake-up in the Goodman boardroom.

Goodman has recorded flat profits for the past five years, resulting in its share price remaining little changed over the same period and making the company a regular subject of takeover talk.

Mr Shears has carried on a battle with the Goodman board for nearly two years since his privately-owned food group sold the Uncle Toby's breakfast cereals business to Goodman in exchange for Goodman shares and a board seat.

However, Goodman later refused Mr Shears admission to the board following disagreements with the management at the time.

Goodman posted a net profit of A\$182m (US\$135m) on sales of A\$4bn in the year to June 1993.

Analysts expect the company to report a slightly poorer performance in the 1993-94 year. Goodman shares closed 4 cents lower at A\$1.34 yesterday.

Hasbro to merge toy operations

Hasbro, the US toys and games group, is reorganising and merging all its US toy operations into a single entity, US Toy Group, effective immediately, AP-DJ reports from Pawtucket.

Mr John O'Neill, chief financial officer, said that the company expected to take a third-quarter pre-tax charge of between \$10m and \$12m as a result of the changes.

Under the reorganisation, the Hasbro name will no longer be used as a brand name for specific products, but reserved for corporate use only.

In last year's third quarter, ended September 26 1993, the company reported net income of \$75.55m, or 84 cents a share, on sales of \$812m. Hasbro said the reorganisation would result in the loss of about 100 jobs, or about 9 per cent of its domestic toy work force. It has a total US work force of about 7,600.

The reorganisation will merge Playskool, Playskool Baby, Hasbro Toy, Kid Dimension and Kenner.

The group will report to Mr Alfred Verrecchia, chief operating officer of all domestic toy operations. Mr Dan Owen, currently president of the Playskool division, will be president of the US Toy Group.

The company said the reorganisation would allow it to bring new products to market more quickly and "to become even closer partners with our retailers".

The games segment of Hasbro's US operations, consisting of Milton Bradley and Kenner Parker, is not affected.

Shinawatra posts sharp advance

By William Barnes in Bangkok

Shinawatra Computer and Communications, the Thai telecoms and computer group, has almost doubled net profits of Bt1.21bn (\$48.3m) for the first half, compared with Bt632m the same period last year.

The buoyant figures were helped by a sharp rise in net profits to Bt784m at its mobile phone subsidiary, Advanced Information Services, compared with Bt384m last time.

Accounting adjustments have muddied the parent company's half-year advance, but brokers HG Asia reckon its forecast of Bt2.63bn net for the full year is achievable. The parent company's second-quarter net profits jumped to Bt400.4m from Bt231m; Advanced's second quarter rose from Bt384.7m to Bt784m.

Shinawatra Computer has placed 20 per cent of its previously wholly-owned overseas investment arm, Shinawatra International, with 15 strategic partners, giving the company an Bt840m after-tax gain. A further 20 per cent of Shinawatra International is due to be offered to the public.

Shinawatra Satellite, which was set up last year, made a loss of Bt16.2m.

S Korean oil groups move ahead

By John Burton in Seoul

Yukong, South Korea's largest oil refiner, reported net earnings up 22.4 per cent to Won37bn (\$46m) for the first half of 1994, while sales rose 7.4 per cent to Won2,857bn.

Growth was mainly due to higher sales at its petrochemical division, although advances were limited by price cuts in its main petrol business.

Lucky, the petrochemical and consumer products group, had a 61 per cent increase in profits to Won41.9bn, while sales rose by 20 per cent to Won1,301bn.

Earnings growth reflected a general recovery in the petrochemical sector as demand increased from domestic industrial customers.

Ssangyong Oil, the third largest Korean oil refiner, reported a 61 per cent profit growth to Won70.8bn, while sales increased by 10.6 per cent to Won1,101bn.

NEWS DIGEST

Exports help lift Hyundai Corporation

Hyundai Corporation, the trading arm of South Korea's largest conglomerate, has reported a 47 per cent rise in net earnings, to Won5.3bn (\$6.6m) for the first half of 1994, writes John Burton.

Sales rose 24 per cent to Won6,323bn.

The improved results reflect increased exports, which benefited from the weak Korean currency.

Lucky-Goldstar International, the trading house of the country's third-biggest industrial group, has reported a 157 per cent increase in profits, to Won3bn. Sales grew by 27.7 per cent to Won2,431bn.

Sunkyong Ltd, the fifth-largest trading house, suffered a 36 per cent fall in earnings, to Won3.2bn. It blamed growing investment costs, including the recent purchase of a controlling stake in Korea Mobile Telecom, the cellular telephone monopoly. Sales rose 5.9 per cent to Won1,566bn.

Ssangyong Corporation, the sixth-biggest trading company, had a 32 per cent fall in profits to Won2.5bn, while sales rose by 15.6 per cent to Won1,354bn.

Korean power utility surges 70% midway

Korea Electric Power (Kepco), the state-controlled electricity monopoly, reported that net profits rose 70 per cent to Won391.5bn for the first half of 1994, writes John Burton.

Sales rose 14.6 per cent to Won4,051bn.

Analysts believe the profit growth mainly reflected a recent change in accounting rules to reduce special depreciation charges. These charges depressed earnings last year.

Kepco is the largest company listed on the Seoul bourse, accounting for about 13 per cent of market capitalisation.

Record sales at Bunnings

Bunnings, the Australian timber, hardware and building materials group, yesterday reported a 63 per cent rise in after-tax profits to A\$30.8m (US\$22.8m) for the year to June, writes Emilia Tagaza in Melbourne.

Earnings before interest, tax and abnormals increased by 77 per cent to A\$53.4m.

The earnings were struck on record sales of A\$370m, which were 41 per cent higher than the previous year's A\$213m.

The Perth-based company reported improvements in all operations, particularly in timber and building products. However, it expects a slight downturn in the 1995 figures, as it is restructuring its hardware operations and expects a downturn in Australian home building.

It has declared a final dividend of 21 cents a share, fully-franked, bringing the full year's dividend to 40 cents.

New-town project hits Bangkok Land

Bangkok Land, the Thai property developer owned by the Sino-Thai Kanjanapas family, has reported a 76 per cent fall in first-quarter net profits, to Bt333.6m (\$13.34m) from Bt1.4bn a year ago, writes William Barnes in Bangkok.

The company's Muang Tong Thani new town on the outskirts on Bangkok has been a drain on resources, and there was also a foreign exchange loss of some Bt350m. Nevertheless, analysts expect the company to show a marginal improvement in full-year net profits.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 17.08.94: Pool purchase price £/MWh	Final Prices for Trading on 20.07.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.19	18.85	20.77
0100	10.45	13.51	15.43
0130	10.45	10.45	10.45
0200	10.45	10.45	10.45
0230	10.46	10.45	10.45
0300	10.46	10.45	10.45
0330	10.45	10.45	10.45
0400	10.46	10.45	10.45
0430	10.46	10.45	10.45
0500	10.46	10.45	10.45
0530	9.60	10.45	10.45
0600	10.81	10.45	10.45
0630	10.81	10.50	10.50
0700	13.01	24.85	26.77
0730	18.67	24.85	26.78
0800	18.67	24.87	26.80
0830	21.51	24.92	26.86
0900	21.01	25.04	27.03
0930	26.89	25.21	27.24
1000	38.68	37.08	39.14
1030	34.58	37.18	39.30
1100	27.06	27.51	29.67
1130	31.46	40.08	42.30
1200	34.98	40.23	42.48
1230	34.88	40.09	42.31
1300	31.57	39.78	41.92
1330	26.95	25.23	27.27
1400	22.57	25.09	27.09
1430	21.59	25.04	27.03
1500	21.59	25.03	27.01
1530	21.60	25.02	27.00
1600	21.63	25.08	27.08
1630	28.27	28.82	30.67
1700	29.32	28.89	30.73
1730	29.26	28.56	30.69
1800	29.15	28.35	30.32
1830	21.50	24.87	26.80
1900	17.85	24.85	26.78
1930	16.87	20.39	22.31
2000	16.67	20.00	21.92
2030	13.92	20.00	21.92
2100	22.94	20.00	21.92
2130	31.00	20.00	21.92
2200	31.00	20.00	21.92
2230	16.67	20.00	21.92
2300	16.67	20.00	21.92
2330	16.67	20.00	21.92
2400	15.69	20.00	21.92

First-half advance at Hyundai Motor

By John Burton in Seoul

Hyundai Motor, South Korea's largest manufacturer of cars, reported net profits of Won68.2bn ($85m) for the first half of 1994, a 343 per cent advance on the corresponding period last year, during which the company was hit by almost two months of industrial action.

Sales rose by 27 per cent to Won4,270bn, buoyed by strong demand in the domestic market, one of the world's fastest-growing.

Exports have also increased as a result of the weak Korean won boosting foreign sales at the expense of Japanese models, sales of which have been hit by the strong Japanese yen.

However, Hyundai Motor Service, the group's sales and maintenance subsidiary, suffered a 30 per cent fall in net earnings to Won13.8bn because of generous financing terms offered to customers as part of a marketing war among the country's car companies. Sales rose by 23 per cent to Won2,269bn.

● Kia Motors, Korea's second-largest car producer, suffered a 30 per cent fall in profits to Won3.8bn because of investment costs as it expands its car facility at Asan.

Profits were also affected by the higher cost of importing Japanese components as a result of the stronger yen, which also caused foreign exchange losses on the company's yen-dominated debt. Kia is 8 per cent owned by Mazda, the Japanese car company.

Sales rose by 23 per cent to Won2,300bn.

● Asia Motors, the Kia-controlled commercial vehicle manufacturer, achieved a 229 per cent increase in profits to Won4.4bn, while sales rose by 28 per cent to Won608bn.

A recovery in facility and public infrastructure construction has increased demand for its range of heavy trucks and other construction vehicles.

S&P affirms long-term credit rating for Turkey

By Conner Middelmann

Turkey's rating outlook may be stabilising following several credit rating downgrades earlier this year.

Standard & Poor's, the US rating agency, yesterday affirmed its B+ rating for Turkey's long-term foreign currency debt. S&P also said it was removing Turkey from CreditWatch, and that its rating outlook is now stable.

Turkey's ratings came under heavy pressure from the severe deterioration in the country's public finances and the sharp fall in its foreign currency reserves early in the year. In January, S&P downgraded Turkey's foreign debt rating to BBB– from BBB; in March it was lowered again, to BB, and the country was placed on CreditWatch with negative implications; in April it was again lowered, to B+.

But according to S&P, its latest rating action "reflects Turkey's improved fiscal performance in the second quarter of 1994, which, in turn, has helped stabilise the Turkish lira, partially restore the government's foreign exchange reserves and greatly reduce inflation."

Ecu loan for Spain gets strong response

By Antonia Sharpe

The Kingdom of Spain's recently-announced Ecu6bn five-year revolving credit facility has been substantially oversubscribed.

Chemical Bank, as arranger, said, excluding its own commitment of Ecu1.65bn, commitments totalling Ecu16bn had been received from 23 banks when underwriting closed on Friday. Eighteen banks have committed as senior lead managers and five banks as lead managers.

As a result of the strong response, commitments allocated to senior lead managers and lead managers have been scaled back significantly from the targets of Ecu750m and Ecu500m respectively.

Senior lead managers will be asked to underwrite around Ecu258m each and lead managers around Ecu215m. Chemical's commitment has been reduced to around Ecu280m.

General syndication will start on or around August 19, which will give underwriters an opportunity to reduce their commitments further.

The senior lead managers are: ABN-Amro Bank, Banco Central Hispanoamericano, Banco de Negocios Argentaria, Banco Santander de Negocios, Barclays Bank, Bayerische Landesbank Girozentrale, Bayerische Vereinsbank, BNP Capital Markets, La Caixa, Commerzbank, Crédit Suisse, Dai-Ichi Kangyo Bank, Dresdner Bank, Fuji Bank, Industrial Bank of Japan, Sanwa Bank, Sumitomo Bank and WestLB.

The lead managers are Bank of Tokyo, Long-Term Credit Bank of Japan, Mitsubishi Bank, Royal Bank of Scotland and Sakura Bank.

Treasuries rally on news of higher rates

By Frank McGurty in New York and Antonia Sharpe in London

Longer-dated US Treasury bonds surged early yesterday afternoon after the Federal Reserve announced a move to lift short-term interest rates.

By 1.30pm, the benchmark 30-year government bond was 1 3/32 higher at 101 1/32, with the yield dropping to 7.405 per cent.

At the short end, the two-year note was 3/32 firmer at 99 23/32, to yield 6.175 per cent.

The reaction to the Fed's announcement was immediate. Prices on the inflation-sensitive long bond jumped on news that the central bank had decided to push up the Federal Funds target rate by 50 basis points to 4.75 per cent, and boost the discount rate by 50 basis points to 4 per cent.

The Fed said the action was intended to contain inflationary pressures, reassuring fixed-rate investors.

The move triggered the strong upturn even though it was widely anticipated. After a lacklustre session on Monday, dealers had ventured back into the market yesterday morning as the Fed's policy-making arm was convening.

In a change of heart, many traders had decided the market was poised for a rally, not a downturn, if the Fed meeting resulted in a more restrictive monetary policy, as most analysts believed it would.

GOVERNMENT BONDS

As a consequence, dealers were busy "short-covering", that is replacing securities they had borrowed and resold in earlier sessions in the hope that prices would fall on the news of rate increase.

Those bets were hedged, as analysts guessed the central bank would not only put up rates, but do so aggressively.

When the Fed employed this two-prong approach on May 17, the last time it tightened credit conditions, bond prices across the board rose because the decisive action signalled the beginning of period of rate stability.

Yesterday the Fed said it expected its action to be "sufficient at least for a time".

Amid the speculation over the Fed meeting, yesterday's economic news was virtually ignored. The Commerce Department announced that July housing starts had risen 4.7 per cent, after a decline of 9.4 per cent in June.

■ News of the rate increase in the US came too late to affect European government bond markets. Earlier in the day, price movements in Europe reflected a flight to quality as investors abandoned the high-yielding markets of Italy, Spain and Sweden for the relative safety of Germany and France. The high-yielding markets experienced losses of up to ½ points while Germany and France saw gains of around ¼ point.

One dealer said the flows out of the high-deficit countries underlined the view among investors that the fiscal imbalances were not going away and that the situation would only get worse in a bear market. However, volume was low across the board as traders waited for news from the US.

■ In Germany, the Bundesbank's announcement that it was setting a fixed-rate repo at 4.85 per cent came as no surprise. This brings to an end the scheduled run of four fixed-rate repos which the Bundesbank put in place ahead of its summer break.

The market is now waiting to see if the central bank will revert back to a variable rate. The Bundesbank is due to meet tomorrow. On Liffe, the September bund future stood 0.45 point higher in late trading at 91.96.

■ UK gilts were also among the day's outperformers, buoyed by a smaller than expected UK Public Sector Borrowing Requirement for July and the Confederation of British Industry's distributive trades survey, which showed no signs of rampant economic growth.

Mr Simon Briscoe at S. G. Warburg said the two sets of data were favourable for gilts since they eased the pressure for an early interest rate rise. However, he noted that the market still had to get through an important week for economic data. Today the Retail Price Index for July and average earnings are due to be published.

On Liffe, the September long gilt future rose 11/32 to 101 11/32 in modest volume of 50,100 lots.

Warm welcome for Halifax floating-rate notes

By Conner Middelmann

The eurobond market remained mired in summer torpor yesterday, and only a handful of new issues saw the light of day.

However, against the backdrop of rising US interest rates, a $500m five-year floating-rate issue for the UK's Halifax Building Society received a warm welcome. The notes, which pay a coupon of three-month Libor, were issued at 99.645 where they yield 8 basis points over Libor.

INTERNATIONAL BONDS

While some traders felt the pricing was on the tight side, most said the issue met good demand. "With interest rates rising, people's appetite for floating-rate paper is growing," said a syndicate manager.

According to an official at HSBC, which led the deal jointly with Lehman Brothers, the Halifax's debut in the dollar floating-rate sector "went better than expected," attracting demand from banks, institutions, building societies and money market funds.

Dealers said the deal was also supported by a recent dearth of supply in the FRN sector, which had caused yield spreads in the secondary market to narrow sharply.

Elsewhere, General Electric Capital Canada issued C$100m of 8⅞ per cent five-year notes via Merrill Lynch. The bonds were priced to yield 10 basis points over the corresponding Canadian benchmark, which most dealers considered appropriate given that previous Canadian dollar issues for GECC trade at even tighter spreads.

Aegon NV, the Dutch life insurance and pension management company, made its debut in the US domestic bond market with $400m of 12-year subordinated bonds. Despite the bonds' unusual maturity and subordinated status, the deal met strong demand, said lead manager J. P. Morgan.

Although issuance is expected to remain thin this week, there was some talk that Denmark might tap the euroyen sector with some structured issues targeted at Japanese retail investors.

There was also talk that Japanese government-backed agencies might tap the 10-year dollar sector soon.

● Barclays Overseas Investment Company BV announced the early repayment of all its DM250m 8⅛ per cent bearer bonds due 1998. Repayment of the bonds, which were issued in 1983, will take place on December 1 at 101 per cent of par value.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Halifax Building Society‡	500	(a)	99.645R	Sep.1999	0.15R	-	HSBC/ Lehman Brothers
CANADIAN DOLLARS							
General Electric Cap.Canada(b)	100	8.875	99.593R	Sep.1999	0.25R	+10 (7¾%-99)	Merrill Lynch International
SWISS FRANCS							
Helaba Intl.Finance, Dublin(b)	100	5.125	101.75	Oct.1998	1.75	-	Zurich Kantonalbank

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) 3-mth Libor flat. b) Long 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	96.5400	–0.250	9.54	9.38	9.33
Belgium		7.250	04/04	93.3400	+0.390	8.27	8.03	7.79
Canada *		6.500	06/04	83.6000	+0.050	9.06	9.00	8.96
Denmark		7.000	12/04	88.1700	+0.220	8.78	8.32	7.99
France	BTAN	8.000	05/98	102.5000	–0.130	7.20	6.81	6.56
	OAT	5.500	04/04	85.4400	+0.340	7.68	7.60	7.20
Germany Bund		6.750	05/04	97.1400	+0.280	7.16	6.99	6.72
Italy		8.500	04/04	82.5000	–0.300	11.56†	10.73	10.27
Japan	No 119	4.800	06/99	103.1430	+0.100	4.03	4.00	3.57
		4.100	12/03	96.4490	–0.180	4.65	4.69	4.30
Netherlands		5.750	01/04	90.4200	+0.320	7.18	7.03	6.76
Spain		8.000	05/04	82.2000	+0.100	11.06	10.47	10.26
UK Gilts		6.000	08/99	90–17	+9/32	8.35	8.20	7.78
		6.750	11/04	87–20	+11/32	8.58	8.47	8.13
		9.000	10/08	103–04	+16/32	8.61	8.53	8.27
US Treasury *		7.250	08/04	99–28	+7/32	7.27	7.31	7.15
		7.500	11/24	100–11	+14/32	7.47	7.57	7.48
ECU (French Govt)		6.000	04/04	85.2200	+0.070	8.27	7.98	7.86

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	4.43	Two year	6.23
Prime rate	7¾	Two month	4.69	Three year	6.57
Broker loan rate	5½	Three month	4.71	Five year	6.93
Fed.funds	4⅝	Six month	5.18	10-year	7.26
Fed.funds at intervention	-	One year	5.59	30-year	7.46

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	114.12	114.60	+0.56	114.70	114.06	68,378	113,479
Dec	113.26	113.78	+0.56	113.74	113.24	3,663	18,925
Mar	112.60	113.12	+0.56	112.90	112.60	778	3,581

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
113	-	2.87	-	0.30	2.15	-
114	1.13	2.25	-	0.57	2.50	3.40
115	0.60	1.76	-	0.96	3.04	-
116	0.24	1.28	-	1.72	3.60	-
117	0.08	0.90	-	2.54	4.20	-

Est. vol. total, Calls 16,689 Puts 77,891. Previous day's open int., Calls 366,732 Puts 332,137.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.57	91.94	+0.43	92.09	91.50	82820	139888
Dec	90.68	91.04	+0.40	91.16	90.68	2990	27219

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
9150	0.78	0.80	1.11	1.31	0.34	1.26	1.57	1.77
9200	0.47	0.59	0.89	1.08	0.53	1.55	1.85	2.04
9250	0.27	0.42	0.70	0.88	0.83	1.88	2.16	2.34

Est. vol. total, Calls 13544 Puts 19217. Previous day's open int., Calls 276810 Puts 280950

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	97.12	0.28	-	-	0	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.25	97.64	-0.63	98.70	97.49	28503	89741
Dec	97.30	96.34	-0.76	97.30	96.26	1424	2120

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
9750	0.94	2.34	0.80	3.50
9800	0.69	2.14	1.05	3.80
9850	0.49	1.94	1.35	4.10

Est. vol. total, Calls 584 Puts 2324. Previous day's open int., Calls 39297 Puts 35301

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	88.10	87.33	-0.69	88.65	87.12	48,028	103,408
Dec	87.75	86.15	-0.50	87.90	86.65	95	1,719

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	100-22	101-04	+0-15	101-15	100-21	50263	111145
Dec	100-11	100-22	+0-16	100-20	100-11	380	3533

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
101	0-56	2-30	0-48	2-50
102	0-27	2-01	1-19	3-21
103	0-10	1-40	2-02	3-60

Est. vol. total, Calls 4060 Puts 3180. Previous day's open int., Calls 70801 Puts 61069

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	81.72	82.24	+0.52	82.36	81.72	542	7,009
Dec	-	81.84	+0.52	-	-	-	231

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	102-18	102-23	+0-04	102-24	102-16	142,627	352,534
Dec	101-25	101-29	+0-03	101-31	101-24	6,968	91,003
Mar	-	101-03	-	-	-	79	4,933

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	107.82	-	-	107.82	107.70	290	0
Dec	106.73	-	-	106.78	106.64	1356	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Tue Aug 16	Day's change %	Mon Aug 15	Accrued interest	xd adj. ytd		Low coupon yield Aug 16	Aug 15	Yr. ago	Medium coupon yield Aug 16	Aug 15	Yr. ago	High coupon yield Aug 16	Aug 15	Yr. ago
1 Up to 5 years (24)	120.46	+0.10	120.34	1.97	6.91	5 yrs	8.46	8.52	6.35	8.60	8.66	6.45	8.73	8.78	6.74
2 5-15 years (21)	138.98	+0.44	138.37	1.74	8.54	15 yrs	8.53	8.59	7.10	8.68	8.73	7.23	8.89	8.96	7.46
3 Over 15 years (9)	155.42	+0.69	154.36	1.88	8.24	20 yrs	8.50	8.56	7.24	8.66	8.73	7.32	8.75	8.82	7.49
4 Irredeemables (6)	176.69	+0.47	175.86	3.09	7.36	Irred.†	8.61	8.65	6.45						
5 All stocks (60)	136.73	+0.37	136.23	1.89	7.97										

Index-linked							Inflation 5% Aug 16	Aug 15	Yr. ago	Inflation 10% Aug 16	Aug 15	Yr. ago
6 Up to 5 years (2)	185.72	+0.05	185.63	0.45	3.95	Up to 5 yrs	3.91	3.92	2.79	2.92	2.92	2.07
7 Over 5 years (11)	173.19	+0.12	172.98	0.84	3.25	Over 5 yrs	3.86	3.86	3.31	3.68	3.69	3.15
8 All stocks (13)	173.61	+0.11	173.41	0.79	3.30							

Debentures and Loans						5 year yield Aug 16	Aug 15	Yr. ago	15 year yield Aug 16	Aug 15	Yr. ago	25 year yield Aug 16	Aug 15	Yr. ago
9 Debs & Loans (75)	128.97	+0.68	128.09	3.15	6.08	9.65	9.73	7.73	9.58	9.66	8.13	9.52	9.59	8.28

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 16	Aug 15	Aug 12	Aug 11	Aug 10	Yr ago	High*	Low*
Govt. Secs. (UK)	91.37	91.11	91.17	91.57	92.17	102.31	107.04	90.99
Fixed Interest	109.04	109.13	109.88	110.64	110.79	124.23	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug 15	Aug 12	Aug 11	Aug 10	Aug 9
Gilt Edged bargains	76.8	84.8	118.2	79.9	130.4
5-day average	98.0	101.0	98.1	90.3	90.0

UK GILTS PRICES

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 16

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	91⅜	91⅝	+⅛	7.80
Alberta Province 7⅝ 98	1000	101¼	101½	+⅛	7.28
Austria 8½ 00	400	105	105¼	+⅛	7.34
Bank of Tokyo 8⅜ 96	100	102¾	102⅞		6.82
Belgium 5½ 03	1000	85⅛	85⅜	+⅛	7.82
United Kingdom 7¼ 97	5500	101⅞	102		6.45
Volkswagen Intl Fin 7 03	1000	96⅝	97	+⅛	7.53
World Bank 0 15	2000	21¼	21⅜	-⅛	7.53
World Bank 5⅞ 03	3000	90¼	90½		7.36
World Bank 8¾ 00	1250	109¾	110⅛	-⅛	8.62
Abbey Natl Treasury 8 03 £	1000	91⅜	91⅞	+¼	9.45
Alliance Leics 11⅞ 97 £	100	106⅝	107⅛		8.46
British Land 8⅞ 23 £	150	87½	88⅛	-¼	10.49
Denmark 6⅛ 98 £	800	94	94⅜	+⅛	8.57
EIB 10 97 £	637	103¾	104⅛	-⅛	8.21

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. [illegible] CONVERTIBLE BONDS: [illegible]

هكذا في الأصل

Rising car sales help Evans Halshaw to £7m

By Paul Cheeseright, Midlands Correspondent


Geoffrey Dale: acquisitions have doubled the size of the group

Evans Halshaw, the West Midlands-based motor distributor, almost doubled first half profits as it increased car sales sharply, sustained its after-market business and pushed operating margins to a five year peak.

In the six months to June 30, pre-tax profits rose 85 per cent to £6.91m (£3.73m), producing earnings per share of 19.6p, against 11.3p.

The group declared the interim dividend of 5p (3.8p) promised last June when it announced a recommended offer of £32.6m for Davenport Vernon and went to the market to raise £29m with a 3-for-10 rights issue.

Yesterday it restated its intention that "the interim should represent approximately one third of the total dividend for the year". Last year a total of 13p was paid.

Turnover increased 43 per cent to £270.9m (£189m) boosted by the 1993 takeover of the TK Group, which contributed 12 percentage points of the rise.

The Davenport takeover and the purchase of the smaller GT Cars came too late to affect the first half figures.

Mr Geoffrey Dale, chairman, said the acquisitions had doubled the size of the group and it would now be concentrating on developing the enlarged company.

Operating profits climbed to £8.37m (£4.98m), helped by a 40 per cent increase in the sales of both new and used cars to a total of 23,000 units.

The increased shifted the balance of the group's business. Car sales accounted for 39 per cent of turnover, compared with 31 per cent in the 1993 first half, while the staple source of revenue, servicing and parts sales, fell from 62 per cent to 54 per cent.

Car sales have continued strongly. Mr Dale said that for August, the first month of the new registration year, it had been "seeing an increase in new car sales of over 10 per cent on a comparable basis to last year". The national increase for the first 10 days of the month was 3.7 per cent.

Operating margins rose to 3.1 per cent, the first time the figure has been above 3 per cent since 1989, compared with 2.6 per cent for 1993 and 1.6 per cent for 1992.

Brymon's passengers to exceed 400,000

By Roland Adburgham, Wales and West Correspondent

Brymon Airways, the Plymouth-based regional airline rescued by British Airways in August last year, said yesterday it expected passenger numbers to be up by a third this year to over 400,000.

Mr Mike Jones, managing director, said: "In July Brymon flew 37,000 scheduled passengers at an average load factor of 70 per cent, remarkable figures for short-haul domestic operations, and a record".

Brymon flies to 10 destinations, including Paris and Frankfurt, from its hub airport at Bristol.

Mr Jones acknowledged the airline had had a reputation for unreliability but said, since January, it had met or exceeded punctuality targets.

British Airways, which had held 40 per cent of Brymon since 1985, took over the whole of the lossmaking airline last year and markets its services under a franchise arrangement.

The airline said it was now trading well above budget. "What we are proving is that BA can operate at a local level, providing the cost and operational structure can be kept in line with the type of service provided," Mr Jones said. "Brymon as BA is doing a whole lot better than Brymon as Brymon Airways."

He said the airline was seeking slots at Manchester and Düsseldorf airports for services from Bristol. It also planned to improve its operations from Heathrow to Plymouth and Newquay. It intends to examine the possibility of using Heathrow's crosswind runway to give extra capacity, using a special access landing system pioneered in the US.

Robert Lowe back in black

Robert H Lowe, the clothing, printing and packaging company, returned to the black with a pre-tax profit of £305,000 for the six months to April 30, compared with a loss of £1.28m.

The group, which raised £3m via a placing and open offer in July, saw turnover increase 37 per cent to £5.59m, although Mr David Sebire, chairman, said that results were flattered because sales to certain customers were brought forward "compared with normal experience".

He warned that this meant the full-year figures were unlikely to increase proportionately, despite the second half traditionally being better than the first.

The placing and offer reduced borrowings by £2.5m, bringing gearing to "an acceptable level".

Earnings per share were 0.67p (losses 2.83p).

Pulling together the Asia-Pacific region

Co-ordination is key for Rolls-Royce's new regional director, writes Andrew Baxter


TACKLING ASIA'S TIGERS

One of the most important recent developments in the way UK engineering companies approach the Asian market has been the appointment of top executives with group responsibility for the region or a large part of it.

A classic example – mirrored in the two companies already covered in this series – was Rolls-Royce's appointment of Mr Timothy Jones as regional director, south-east Asia, about 18 months ago.

Mr Jones spent a year in London "selling" his job internally to Rolls-Royce's aero-engine and industrial businesses, before moving to Singapore in February.

"I'm here to take a corporate standpoint on regional activity," he says. "It was a conscious decision to co-ordinate things better, and to get leverage between the different parts of the business."

Mr Jones' region covers 10 countries from Burma to the Philippines and Brunei. Rolls-Royce already has regional executives, with offices in Bangkok, Kuala Lumpur, Jakarta and Singapore, reinforced by sales directors for the specific sales businesses, and project development teams which come out from London. In an era when companies are more likely to remove levels of management, it is a measure of the importance Rolls-Royce attaches to the region that Mr Jones has been "superimposed" on this structure to pull things together.

The Asia-Pacific region already accounts for 25 per cent of Rolls-Royce's $10bn (£6.4bn) order book. Mr Jones says he would not be surprised if that percentage rises, just as he hopes the total will increase in real terms too. "I would be bitterly disappointed if the region's share falls," he says.

The aerospace side accounts for 55 to 60 per cent of business in the region, but the aim is to achieve an even balance between aerospace and the industrial businesses. Mr Jones points to a number of steps already taken beyond the region, which should help the company's prospects in the power generation market there.

Restructuring at Parsons, Rolls-Royce's flagship power equipment company, has turned it into a turnkey supplier, he says, while Rolls-Royce's wide-ranging co-operation agreement with Westinghouse Electric of the US has given it a broader appeal than it could have achieved on its own, as it did not have the product range.

With Rolls-Royce's aero-derived engines and access to the heavy-duty Westinghouse gas turbine range, Rolls-Royce and Parsons can look beyond the medium-sized power stations that have been its traditional strength.

In July, Parsons won its first turnkey power station order in Indonesia – a $90m order for a 60MW station in East Kalimantan. The deal covered all the electromechanical equipment, including two RB211 gas turbine-generating sets, and the civil works.

At the larger end of the business, building a 1,000MW station was a possibility, but was a huge effort before the link-up with Westinghouse, says Mr Jones. Even so, Rolls-Royce's approach to the region will remain discriminating: "It would be wrong to target a whole spectrum of activities and go into all sorts of build-own-operate and other projects because we don't have the size," he says.


Power generation, as at this station in Singapore, is crucial for Rolls-Royce's Parsons company

As a consequence of his position, Mr Jones says he cannot view one part of Rolls-Royce's business in isolation, and especially wants to transfer to the industrial power business the experience gained from the risk- and revenue-sharing agreements made in the aero-engine business over the past 10 years.

"It makes perfect sense for me to come to this region from London, look at what are the best ways of forging ahead and achieving better business in the future, and what is the logical way to co-operate with local industry," he says.

One such venture, announced in February, has not exactly proceeded to plan. Rolls-Royce has formed a joint venture with EPE Power to meet the growing demand for power transmission equipment in Malaysia; a few days later, the Malaysian government announced its ban on UK companies winning public contracts.

Mr Jones says: "It's difficult to make progress on a venture designed to tackle government projects when there's a ban on doing business with government agencies. But as soon as the ban comes off, hopefully we can get on with the job we set out to do."

He stresses, though, that the ban is not a total trade embargo. There has been no noticeable effect on private-sector business, and Rolls-Royce is still discussing potential projects with independent power producers. "We are still talking at all levels," he says. "We're just not able to do things while there's a ban in place."

Malaysia is also Rolls-Royce's best chance in an area where Mr Jones believes it is well-placed for new orders – refurbishing power stations. A £70m project to convert the Connaught Bridge power station near Kuala Lumpur to more efficient combined-cycle operation was completed last September.

Elsewhere in the region he sees plenty of potential, though some of it, such as in Laos and Cambodia, offers less immediate prospects. In Burma, Mr Jones hopes to build on the links generated from being a long-term supplier of aero-engines to break into the power business, possibly in some form of partnership.

In Thailand, Rolls-Royce is exploring a number of projects in various businesses, while in Indonesia, another country where it has been successful selling aero-engines, Mr Jones sees opportunities "right across the spectrum".

The latest power station deal, he hopes, will lead to more in Indonesia. There are opportunities for the Cooper-Rolls joint venture, which produces power units for the oil and gas industry, while Rolls-Royce's cranes and materials handling equipment businesses stand to benefit from port development work.

Previous articles in this series appeared on August 9 and August 13.

European and North American operations fuel first-half growth

Sedgwick advances to £63m

By Richard Lapper

Buoyed by growth in its European and North American retail operations, Sedgwick, the insurance broker, yesterday reported pre-tax profits of £63.4m for the first six months of 1994, compared with a restated £55.8m last time.

The result was at the top end of market expectations, but was greeted without enthusiasm by investors, with the shares closing unchanged at 169p. Analysts were disappointed by a 4 per cent underlying decline in revenues at Noble Lowndes, the employee benefits consultancy acquired last year, as well as continued softness in the US insurance market from where the group obtains more than 30 per cent of its revenues.

The interim dividend is held at 3p, while earnings per share were 7.3p (restated 7.6p).

Brokerage and fee growth was particularly buoyant in retail operations, with growth exceeding 5 per cent in all geographical areas. However, the wholesale and specialist broking operations were affected by difficult trading conditions in the London market.

On an underlying basis, excluding acquisitions, brokerage and fees increased by 2 per cent to £457.1m, compared with an underlying increase of 1 per cent in expenses to £409.2m.

Mr Sax Riley, chief executive, said that the results were "in line with our plans. Revenue generation, together with tight expense control, continues to be our major objective."

Interest and investment income fell by 13 per cent in underlying terms to £20.1m, partially reflecting lower interest rates in the UK and continental Europe.

Sedgwick also announced that together with Transamerica Corporation, with whom it shares ownership of River Thames Insurance, it is injecting £25m cash into the subsidiary.

This brings the total capitalisation of River Thames, in which Sedgwick owns a 49 per cent stake, to over £50m. It will allow the company, which specialises in London market business, to take advantage of "improved underwriting opportunities".

Sedgwick also intends to increase its stakes in two small overseas subsidiaries, Sedgwick Overseas Investment in Bermuda and Sedgwick Insurance Brokers in Botswana, from 50 per cent to 100 per cent and from 70 per cent to 95 per cent respectively.

● **COMMENT**

Sedgwick's management seems to be doing the right things. Margins have been squeezed through tight expense control and the acquisition last year of Noble Lowndes makes sense from a strategic perspective, diversifying the group's revenue base and making it less dependent on sometimes volatile commission income. However, despite encouraging growth in retail insurance business, many of its markets are low growth. Nor does the US market provide much encouragement, with insurance rates disappointingly flat. The current weakness in the dollar is another unfavourable factor and Sedgwick could also find the going tough in the London market. Full year pre-tax profits of about £95m for 1994 should be possible, giving earnings of about 10.7p and a prospective multiple of 15.8. But at the present price the shares appear to be fully valued.

Kalon 15% ahead and seeking purchases

By Peggy Hollinger

Kalon, the decorative paints group, is on the look-out for acquisitions in continental Europe after a first half which saw pre-tax profits rise 15 per cent, from £8.7m to £10m.

Mr Mike Hennessy, managing director, said Kalon was ready to take on acquisitions following the success of the February 1993 purchase of Novodec in France. The group would look for potential targets in Germany and France, and pay cash for anything up to about £25m, he said. "It is more likely to be a small acquisition for cash than a large one for paper," he said.

Kalon's results for the six months to July 2, which were struck on sales 10 per cent ahead at £83m, reassured analysts and investors unsettled by the recent rise in raw material prices. These had increased by about 0.2 per cent, and had been largely offset by savings on larger volumes arising from the Novodec purchase. Mr Hennessy said higher raw material prices were unlikely to affect profits in the second half.

The UK paint market continued to stagnate, with volumes almost static and revenues falling by 1 per cent. Mr Hennessy said that the promotional price-cutting of a year ago had largely disappeared and prices seemed to have stabilised. Kalon had coped with the soft market by introducing lower priced paint products, rather than cutting the prices of existing paints.

Kalon also benefited from its increasing emphasis on serving trade customers through its Leyland paint centres and squeezing overheads by some £475,000. While the group's sales to retail customers fell by more than 10 per cent, trade sales rose by a similar amount. The UK paints division was just 0.5 per cent ahead to £6.2m on sales down 4 per cent to £48m.

Novodec contributed profits of £3.5m, against £2.45m for five months. Kalon has opened its first trade paint centre in France and plans another for the turn of the year. Vallance, the UK sundries business acquired in February, almost trebled profits to £414,000.

Earnings per share rose to 5.17p (4.46p). The interim dividend is lifted to 1.5p (1.3p).

● **COMMENT**

Kalon has become a victim of its own success. Having dealt with the management problems of the late 1980s, and established itself as a leading own-label paint manufacturer, it has to find a new angle for growth or stagnate. Repeating the success story in continental Europe seems logical. Everything now depends on Mr Hennessy's talent for spotting the right acquisitions. He will have to do something soon if he wants to alleviate fears about the effects of rising raw material prices and a dull UK market. Forecasts are for about £22m this year, which leaves the shares on a prospective p/e of about 15 times. Not a compelling buy, but the prospects could be intriguing.

Decline at Micro Focus prompts 18% share fall

By Alan Cane

Shares in Micro Focus, the Berkshire-based computer software company, fell 18 per cent – from £10.63p to 865p – after first-half figures well below both market expectations and last year's result.

Profits before tax for the six months to July 31 fell from £7.8m to £4.7m. Earnings per share came out at 32.9p, against 53.5p.

Analysts yesterday cut pre-tax profit estimates for the full year from more than £22m to about £15.5m, giving a prospective p/e of about 12.

Opinions in the City differed on whether the company should have flagged the extent of the shortfall earlier. In May, it had taken the unusual step of issuing an encouraging first-quarter statement.

Mr Paul O'Grady, chairman, said that no warning had been made because the company did not know the full extent of the profits decline until the end of the half year. Historically, the company finishes the first half with a surge, but this had not taken place this year. He said: "The overall revenue growth of 6 per cent, combined with a planned increase in costs of 23 per cent, resulted in a decrease in earnings for the half."

Revenues were £42.9m, compared with £40.8m. Total costs and expenses, however, rose to £36.9m compared with £30.1m. No dividend will be paid, in line with company policy.

Micro Focus is undergoing a painful transition. Its early success was based on software which made it simpler for programmers to write Cobol, the most common mainframe computer language. At one time its shares reached £30, driven by US investment.

The mainframe market is in decline, however and, following an adverse brokers' report last year, US interest waned. Only about 20 per cent of the stock is now held as American Depositary Receipts, compared with 40 per cent two years ago.

The company has been investing heavily to take advantage of new markets for networked computer systems. Mr O'Grady said that more than half the company's revenues now came from products for the more modern technologies. He agreed, however, that the current year was unlikely to improve or match the £21.7m pre-tax achieved last year.

Mr O'Grady said investment would be maintained, but moves were in progress to tighten financial controls. Mr Brian Reynolds, a co-founder, had returned to an active role in the company.

Few, if any, companies can change their technological *raison d'être* without damage. Mr O'Grady promised to give investors an update on progress at the end of the third quarter.

Cantab losses rise to £1.85m at six months

By Paul Abrahams

Cantab Pharmaceuticals, the biotechnology company quoted both in London and on Nasdaq in the US, yesterday reported losses increased from £1.24m to £1.85m for the first half of 1994.

The results were in line with expectations, said Dr Paul Haycock, chief executive of the Cambridge-based company. Operating losses widened from £1.4m to £2.27m, as revenues fell from £618,000 to £424,000. Interest income improved from £157,000 to £419,000, following the £13.8m placing last October.

Research and development spending rose from £1.51m to £2.17m over the same period, as the company developed its herpes and genital warts treatments.

Losses per share fell from 21p to 19p.

Dr Haycock said the company had net cash of £17.8m, and while he did not expect to ask investors for additional funding this year, he did not rule out returning to them next year.

Cantab expects to start final stage European clinical trials for its most advanced product, LM-CD45, a drug designed to reduce the incidence of rejection in kidney transplant operations.

Pifco considers enfranchising A shares in expansion plans

By Reg Vaughan

Pifco Holdings, the household appliances manufacturer, yesterday indicated the possible enfranchisement of its 6.92m A shares with the resultant loss of family control, in place since the company's creation at the turn of the century.

The move was announced as the Manchester-based company reported increased pre-tax profits, earnings per share and dividend for the year to end-April.

The shares rose 10p to 358p.

Mr Michael Webber, chairman and a relative of the company's founder, said the A shares, at present entitled to one quarter of a vote, would be enfranchised at the same time as a rights issue to fund an acquisition.

He said yesterday that the company was continuing its search for expansion in mainland Europe and that an acquisition was "in the works". The company was in discussion with a number of European-based groups.

The company, best known for its Russell Hobbs, Carmen and Tower household products, lifted profits by 21 per cent to £2.65m (£2.2m) on turnover marginally lower at £36.8m (£37.4m).

Operating margins rose from 5.5 per cent to 6.8 per cent.

Michael Aron

Michael Webber: forward order book reflected a better trend

Earnings per share were 20 per cent higher at 15.4p (12.8p). The dividend is raised by 9 per cent to 4.5p (4.13p), with a recommended final of 2.6p, increasing cover from 3.1 to 3.4 times.

Mr Webber said that the improvement reflected increased efficiency and profitability at the Russell Hobbs Tower division and general cost control throughout the group.

He added, however, that the brands had experienced a mixed year. Tower showed "some good recovery from a small base" while Russell Hobbs had a "bad first quarter but a better second" and the improvement had continued into 1994-95.

Overall group sales for the first quarter of the current year showed an encouraging improvement, Mr Webber said, and the forward order book reflected a better trend.

He warned, however, that as the group sought increased volume margins may come under pressure but he expected "profits to increase as a result of the more focused approach to the market place".

US side behind growth in Irish Life premium income

By Tim Coone in Dublin

US growth continued to be the main driving force behind increased premium sales at Irish Life, which reported a 5.8 per cent rise in total premium income to I£360.1m (£355m) for the six months to June 30, against I£340.2m.

Premium income at Interstate, the Dublin-based assurance company's US subsidiary, increased by 36 per cent from I£62.3m to I£84.8m.

Even stronger growth in the second half is anticipated following completion next month of a $51.1m acquisition of the Boston-based First Variable Life, which is licensed to sell unit-linked products throughout the US.

Group revenue growth has remained static, however, because of a 12 per cent fall in investment income to I£135.6m (£154.6m), primarily due to a lower short-term interest rate environment compared with the 1993 first half.

The present period's figures do not include David, its Norwegian business sold for I£12m in May.

New recurring premium business in the core Irish activities grew by 11 per cent from I£26m to I£28.8m, taking the total to I£144.8m (I£141.8m). The upturn is seen as important, as this sector has been facing intense competition in recent years by new entrants to the market and attractive tax-based investment alternatives.

Single premium sales were up by a more modest 6 per cent to I£64.5m (I£60.7m). Sales of individual investment products were "particularly buoyant", rising 38 per cent to I£44.6m.

Total new business in the UK fell by 37 per cent to I£13.2m (I£21m), a trend which is expected to continue into the second half as the company scales back its appointed representative distribution network.

The company said that "good progress" had been made in its cost reduction programme in Ireland, which is expected to be complete by the end of the year. Management expenses were down by I£2.2m to I£45m in the first half.

As a valuation is not carried out at the interim stage, the company's policy is to maintain an unchanged interim dividend at 3p.

Brokers, however, anticipate an 8 per cent dividend increase for the full year, and 6 per cent growth in embedded value to I£590m.

Scantronic shares dip 25%

By Simon Davies

Shares in Scantronic Holdings fell 25 per cent yesterday after the security components manufacturer and distributor announced a deeply-discounted share offer to stave off substantial cash flow difficulties.

The shares closed 6¼p lower at 20p after the company announced the £1.6m share offer, which accompanied a statement that it would incur a loss for the first half of the current year.

The open offer of 16.1m new shares is being launched at 10p a share, and was required before Barclays, its bankers, would extend further loans to tide the company over the peak manufacturing period. It is understood that the company may have breached existing banking covenants.

Scantronic, whose shares have fallen from a 1994 high of 89p, has been saddled with increasing debt from acquisitions, and had £11.2m debt at the end of June, up from £3.5m in March 1993.

Profits have been hampered by legal actions related to some of the acquisitions. In addition, sales have been hit by recession in Europe, and UK profits faltered during April and May.

However, the company is confident that after taking a number of one-off costs in the first half of the year, it would "see a steady return to normal trading," and reap the benefits from substantial investment in new products.

The company also announced pre-tax profits of £1.89m (£1.27m) for the year to March 31. This compared with a statement on July 25 that it would make profits of at least £2.75m. However, the difference was accounted for by a change in accounting policy, under which research and development costs are no longer capitalised.

Turnover rose from £39.1m to £50.2m, but the core UK manufacturing business saw operating profits fall from £3.3m to £2.59m, primarily due to lower sales to Europe. UK sales, however, continued to rise.

In the first half of next year, the company will take on substantial costs related to its financial reorganisation – it incurred a £240,000 deficit from the sale of Gardiner Group loan stock to meet financing requirements – which will result in a loss.

The company has replaced the finance director following its latest difficulties, and may face compensation claims, which could further affect profits.

The final dividend is passed – the 0.843p interim compares with a previous 3.121p total. Losses per share were 0.46p (0.88p).

Bowater buys window company for £35m

By Peggy Hollinger

Bowater, the packaging, printing and coated products group, yesterday announced its first sizeable acquisition this year with the purchase of a windows manufacturer for £34.75m in cash and a further performance-related deferred payment of up to £5m.

The Midlands-based WH Smith & Sons (Extrusions) fabricates plastic window units as well as manufacturing the PVC-u surrounds. The company is believed to have about 10 per cent of the UK public sector market.

Mr Michael Hartnall, finance director, said the acquisition would bring two benefits to the group's Bowater Windows subsidiary. "First we will get window profiles from the UK and second, it is a way for us to get into the commercial market," he said.

Bowater Windows, which is estimated to make profits of about £15m on sales of £160m, claims about 10 per cent of the UK market for sales to residential customers. It sells direct to consumers, as well as supplying systems to local retailers.

The purchase had been prompted by the strong increase in the value of the D-Mark, Mr Hartnall said. Bowater Windows had been importing plastic profiles from Germany, but exchange rate changes had made prices prohibitive.

The acquisition is expected to enhance earnings in the first year.

Smith returned operating profits of £4m for the year to April 30, on sales of £20m. Its net assets at the end of the financial year were £9.3m.

Certain assets were sold to the vendors after April 30 for their net book value of £1.7m.

NEWS DIGEST

Angerstein asset value at 90.28p

Net asset value at Angerstein Underwriting Trust, set up last year to provide corporate capital to the Lloyd's insurance market on a limited liability basis, was 90.28p per share at May 31.

For its first accounting period – from September 17 1993 to May 31 – net revenue after tax was £819,000.

Earnings per share came out at 1.21p and a dividend of 1.2p is declared. The board said it intends total dividends for the 12-month period to be not less than 2p.

SCI/Great Southern

Service Corporation International, the US funeral group which has lifted its offer for Great Southern Group to 775p a share, now owns or has received irrevocable undertakings to accept in respect of 9.24m ordinary and 4.87m convertible shares, 77.9 per cent and 71.7 per cent respectively.

Dixons

Mr Stanley Kalms, chairman of Dixons, the electrical retailer, has waived his bonus payment for the second successive year, according to the annual report.

Mr Kalms, who waived a payment of £35,000 due under his service contract in 1992-93, refused a similar payment of £55,000 for the year to April 1994. Mr Mark Souhami, deputy chairman, also waived a £37,000 bonus.

The chairman's total remuneration, however, still rose by 6 per cent from £563,000 to £598,000. Mr Souhami's was virtually unchanged at £305,000.

TT/Dale

TT Group, which has made a recommended offer for Dale Electric International, now speaks for 7.48m shares (32.76 per cent) in the North Yorkshire-based generator manufacturer.

The offer of 70.25p for every Dale share values the company at £16m. There is a 1-for-5 share alternative.

The first closing date for the offer is August 19.

Emap/Trans World

The £71m bid by Emap, the media concern, for Trans World Communications, the Preston-based local radio group, has been declared unconditional.

By 3pm on August 15, Emap had received acceptances in respect of 9.04m Trans World shares (23.1 per cent), which together with shares already held, gives Emap control of 52.7 per cent of the equity.

Mr Owen Oyston's holding of 22.1 per cent was included among the acceptances.

The cash offer will remain open but the loan note alternative and loan note mix and match election will both close on September 13.

Biotrace

Shares in Biotrace International rose 15p to 144p yesterday after the microbiological testing company announced a marketing agreement with Henkel-Ecolab's P3 division covering the sale of its Uni-Lite systems in France and the Nordic countries.

Henkel-Ecolab, a joint venture between Henkel, the chemicals group, and Ecolab, the US hygiene company, is a leading supplier of cleaning and sanitising products in Europe where it has sales of about $750m (£484m) a year and a sales force of 2,100.

US Smaller

US Smaller Companies Investment Trust reported basic net asset value per share up from 141.1p to 146.3p over the year to June 30.

The fully diluted figure was 138.6p (134.3p).

Net revenue increased from £216,000 to £353,000 as income advanced to £899,000 (£571,000). Earnings per share were 0.71p (0.64p) and a single final dividend of 0.5p (0.3p) is proposed.

Cater Allen

In a deal foreshadowed in June, Cater Allen Holdings, the discount house and banking group, has bought Compass Trust Group, a Jersey-based trust, for £8.11m cash.

The trust had net tangible assets at date of purchase of about £275,000. Adjusted pre-tax profits for the year to April 30 were £1.2m.

Green Property

Green Property, the Dublin-based investment group, is buying Wanze Properties (Ireland) from Merchants Investor Assurance Company.

The purchase consideration is I£9.9m (£9.7m) and will be paid by way of the discharge of borrowings by Wanze to Merchants Investor. It will be met from Green's internal resources.

Wanze – a subsidiary of Cornhill Insurance – owns four shopping centres in Ireland with a current combined rental income of about I£1.8m.

Skipton

Skipton Building Society reported pre-tax profits of £7.04m for the six months to end-June, a 69 per cent increase on last time's £4.17m.

The rise was partly attributable to a fall from £17.1m to £15.5m in provisions for bad and doubtful debts.

Assets dipped slightly from £2.91bn to £2.85bn.

Regal Hotel

Regal Hotel Group, the USM-traded provincial hotel operator, reported pre-tax profits of £5,000 for the six months to July 3, against £944,000, which included an exceptional credit of £1.24m.

During the period the company acquired six hotels for a total of £12.1m and raised £13.5m through two placings and open offers. The results included only three weeks trading from the four hotels acquired in June for £9.5m.

Turnover was £2.27m (£1.28m). The pre-tax figure was struck after interest charges of £49,000, compared with income of £14,000. Earnings per share came out at 0.001p (0.33p).

Pacific Media

Pacific Media, the cinema and television concern, is raising £6m through a placing and open offer of up to 213m new ordinary shares at 3p each. The open offer is on a 1-for-4 basis.

Mr Michael Buckley, chairman, said the group had concluded four significant agreements during the past year, concentrating on south-east Asia, and the proceeds would go towards meeting commitments arising from them.

The company has arranged for trading in its ordinary and preference shares to switch from the USM to Rule 4.2 (a).

Prudential

Prudential Corporation's US subsidiary, Jackson National Life Insurance, saw pre-tax profits fall from $118.5m to $71.6m (£46.1m) in the six months to end-June. There was a further $4.6m from capital gains against $55.1m.

Premiums dropped from $1.31bn to $1.07bn, though investment income rose slightly from $665m to $703.9m.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Angerstein Tst	fin	1.2	Sept 30	-	1.2¶	-
Evans Halshaw	int	5†	Oct 14	3.8	-	13
Hanson	int	3‡	Oct 3	2.85	-	11.4
H'ton Kilbride	fin	1♥	Oct 3	3	2.7	4.5
Irish Life	int	3§	Nov 25	3	-	8.12
Kalon	int	1.5	Oct 3	1.3	-	4.2
Pifco	fin	2.6	Oct 3	2.375☆	4.5	4.125☆
Scantronic	fin	nil	-	2.331	0.843	3.121
Sedgwick	int	3	Oct 24	3	-	6

Dividends shown pence per share net except where otherwise stated. †On increased capital. ☆Adjusted for sub-division. ‡Third quarterly, making 8.85p so far. ¶Covers period from incorporation on September 17 to May 31. §Irish currency. ♥Replaces an original 3.2p.

هكذا في الاصل

PEOPLE

WEW loses another top man

Ian Grabiner has resigned as managing director of WEW, which runs 61 What Everyone Wants discount stores, in what the company says is an "amicable arrangement".

His departure will nevertheless come as a blow to the Glasgow-based group which is trying to restore stability after a series of departures – the company has had three chairmen in less than two years – and is engaged in a rapid expansion programme following December's refinancing.

Peter Carr, executive chairman since last year, says Grabiner's contribution in his five years at WEW, previously known as Amber Day, had been "considerable", but Grabiner had now decided to look at new opportunities.

Carr says reports suggesting differences of opinion between Grabiner and the company's new management were unfounded. "We are going through a period of great change here, moving into a new gear. Ian felt he had made his contribution and wanted to move on to other things."

What Everyone Wants, previously owned by Gerald and Vera Weisfeld, was acquired by Amber Day in 1990, but has been dogged by problems since then with the departure of chairman Philip Green in September 1992, and of his successor Stacey Ellis seven months later. Chief executive David Thompson resigned last year.

The group now plans to double the number of stores to 125 over five years, and will be opening 12 in the next three months. Peter Carr says recent trading has been encouraging, with like-for-like sales increases – which exclude new stores – of 5 to 6 per cent in recent months.

Carr is taking over the managing director's responsibilities for the foreseeable future, but says a new MD may be appointed eventually.

Cottrell quits Midland

Alison Cottrell, the much-quoted bond analyst at Midland Global Markets, seems to be living close to the edge. After five years at Midland, part of the HSBC group which has just announced spectacular losses of £123m on bond and interest rate-related trading during the first half of this year, she is leaving for Kidder Peabody, the US house which has been dogged by a bond trading scandal for much of this year. Cottrell, 30, will start at Kidder, owned by General Electric, in October.

■ David Cockrell and Robin Poynder have been appointed directors of CHARTERHOUSE Bank; Christopher Hardie, Benjamin Money-Coutts and Simon Willis have been appointed directors of Charterhouse Tilney Securities.

■ Michael Brian has been appointed md of LOMBARD Motor Finance and to the board of Lombard North Central.

Speculation about who will succeed Marmaduke Hussey as chairman of the BBC is likely to increase following the reappointment of Sir George Russell (above) as chairman of the Independent Television Commission for two more years.

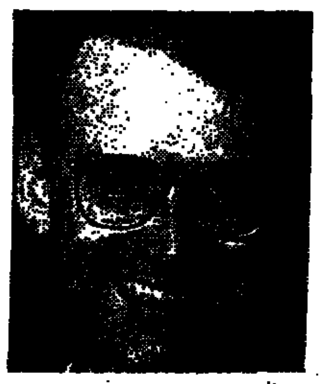
The ITC is responsible for licensing and regulating the UK's commercial TV stations. Sir George, 58, who is also chairman of 3i, has been chairman of the ITC since it was established in 1990 and is generally regarded as having done a good job in helping the commercial TV industry cope with the new broadcasting act.

His name has been mentioned as a possible successor to Hussey who has been chairman of the BBC since 1986.

It is not unknown for the chairman of the BBC to be brought in from the commercial sector. Lord Hill, the BBC's radio doctor before becoming chairman of the Independent Television Authority, was appointed chairman of the BBC in the late 1960s by Harold Wilson, a Labour prime minister who was concerned at the BBC's alleged anti-Labour bias. Later Lady Plowden, a vice-chairman of the BBC in the early 1970s, was switched to be chairman of the Independent Broadcasting Authority.

Although Marmaduke Hussey has been reappointed for a second five-year term which expires in April 1996, there has been speculation that he might retire early, especially now that the questions over the renewal of the BBC's charter have been removed. Hussey turns 71 later this month.

However, the extension of Sir George's term as ITC chairman for two years from January 1 means that his term will run past the date when the BBC job falls vacant.



Like father perhaps like son: Matt Ridley has been appointed as a non-executive director of Northern Rock, of which his father, Viscount Ridley, is a former chairman.

Northern Rock will become the UK's 10th largest building society when its merger with North of England building society goes through later this year, but its board seems to be expanding even faster than its assets. As well as Ridley, who is a new appointment, it is acquiring three non-executive directors from North of England, taking the board total to 16 from its current 13.

Ridley (left), 36, is a journalist who spent nine years at The Economist and was one of the nine candidates tipped last year for the editorship, which went to Bill Emmott. Appropriately for someone who will be expected to give an outside perspective on how the society is performing, he writes a column for the Sunday Telegraph called "Down to earth". (See Observer)

Constructive careers

■ Nigel Denby, company secretary, has also been appointed finance director of The BRADFORD PROPERTY TRUST.

■ Patrick Ranger has been promoted to the board of ASDA Property Holdings.

■ Bob Sankey, formerly a director of HIGGS & HILL Developments, has been appointed md of Developed Solutions, a division within Higgs & Hill's Swan Hill Property Holdings.

■ Dermot Gleeson, chief executive of J.P. GLEESON, is also appointed chairman following the death of Jack Gleeson.

■ Jeff Turner has been appointed Midlands regional director of WOLSELEY Centers' Builder Center.

■ Ian Smith has been appointed md of BELLWAY HOMES' Yorkshire division.

■ Jeff Kozer has been appointed director and general manager of TYSONS Construction.

■ Mike Penny has been promoted to general manager of REDLAND Roof Tiles following the resignation of Philip Margrave.

■ Christine Tacon has been appointed marketing director of REDLAND Bricks.

■ David Heppell, formerly president of George Wimpey Inc, has been appointed president of LOVELL America Inc on the retirement of Ray Groves. He is replaced as president of GEORGE WIMPEY Inc by Stewart Cline (below left), formerly president of the Southwest region of Ryland Group.

■ Tony Bonser has been appointed sales director of BARRATT East Midlands; Chris Burton, technical director of Barratt West Scotland; Paul Clarkson, md of Barratt Northampton (below right); Geoff Dickens, sales director of Barratt Chester; Clive Fenton, finance director of Barratt London; Fred Knox, construction director of Barratt Bristol; and Alistair Harris, md of Barratt East Scotland.

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J H Carthew	M & G
R J Champion	NM Funds Management (Europe)
P F C Clarke	Irish Intercontinental Bank
N T Clay	Sun Alliance Investment Management
C J Conboy	Investment Bank of Ireland
J T Cook	Royal Insurance Asset Management
K Cornish-Bowden	Morgan Stanley Asset Management
M Costar	Clerical Medical Investment Group
B E L Delperdange	Schroder Investment Management
D G Dick	Mercury Asset Management
T G Dieppe	AMP Asset Management
H K Duff	Scottish Mutual Assurance
J S Easton	Cannon Lincoln Investment Management
R A Firth	Schroder Investment Management
G P Flynn	James Capel & Co
J Forbes	Riada Stockbrokers
E C Francis	Baring Investment Management
C R Frost	Norwich Union Investment Management
P Geraghty	PMPA Insurance
S Gerzon	Threadneedle Investment Managers
A P Gibb	Fidelity Investment
J Gibbs	Kuwait Investment Office
J G Gilbertson	JL Securities
W D J Gillespie	Chittons
M D Gloyer	Valu-Trac Research
J K Guthrod	Schroder Investment Management
J R Hammond	Henderson Real Estate Strategy
H Hammonds	Baillie Gifford & Co
B N Heap	Clerical Medical & General Life Assurance
D Houghton	Gartmore Investment
T W Hudson	Schroder Investment Management
P D W Ingram	JL Securities
C L Jack	Baillie Gifford & Co
B Kaur	Confederation Life Insurance Co
D H Knowles	Schroder Investment Management
P M Langham	Capital House Investment Management
J B Langrish	Confederation Life Insurance Co
B M Lardner	Investment Bank of Ireland
S Laugharne	Lombard Odier
J L Lidster	Schroder Investment Management
T Lin	S G Warburg
C R McCabe	Ulster Bank Investment Services
E R MacDonald	Baillie Gifford & Co
G C A MacDonald	Standard Life
L M MacDonald	Robert Fleming & Co
S M Maher	Royal London Asset Management
M Maimann	Hartons Group
S J A Martin	Postel Investment Management
E Mercadante	Mercury Asset Management
T L Mermagen	Schroder Investment Management
S J Monnely	Pilkington
C Moore	Johnson Capital Management
A Murphy	M & G Securities
C S W Ng	Abu Dhabi Investment Authority
E O'Hogartaigh	New Ireland Assurance
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S F Rubingh	Co-operative Insurance
R J Salter	Martin Currie
N R Sargent	Sun Alliance Investment Management
P D R Saunders	Commercial Union Asset Management
K Scott	Hill Samuel Asset Management
S Shah	Schroder Investment Management
R Shunt	Provident Mutual Assurance
A L Spooner	Prudential Portfolio Managers
T D Steel	Mercury Asset Management
G J Stephens	Refuge Assurance
A J Telfer	Baillie Gifford & Co
A N Trigle	Gartmore Investment
E C Van Musschenbroek	Schroder Investment Management
K Viswaralingam	Brinson Partners
L Whiffen	Baring Brothers
J Wild	Finsbury Asset Management
S A Wiltsher	Royal Insurance Asset Management

COMMODITIES AND AGRICULTURE

Ukraine to boost coal imports and exports

Jill Barshay and **Matthew Kaminski** explain a paradoxical legacy of the Soviet era

Ukraine will, paradoxically, both import and export more coal this year, illustrating how Soviet regulatory hangovers create shortages at home while western trade brings much-needed hard currency profits.

The once mighty coal producer, saddled with exhausted pits and antiquated technology, annouced this week that falling production would force it to import 15m tonnes of coal to meet minimum domestic needs.

Ukraine remains keen, however, to keep exports at 12m tonnes a year, up from 10m tonnes in 1989. Its main customers are the UK, Belgium and Italy, who pay between $21 and $100 a tonne, depending on quality.

Domestic prices are roughly half that - ranging from 500,000 to 1.7m Ukrainian karbovanets ($11.6 to $39.50) a tonne - because they are set by regulations linking selling prices to production cost. So the state coal committee, which receives coal from the pits and distributes it to users, likes to skim off as much as possible for the more lucrative export markets.

"We have an unlimited amount of coal for the next 100 years in the Donbass. But we need modern equipment. This is why we are exporting coal for hard currency," says Mr Sergei Fishenko, head of the government's coal department.

A traditional coal exporter, Ukraine this year will produce 100m tonnes, down from 131.9m last year. To bridge the gap, it plans to barter metals for coal from Russia and Poland, former trading partners under the old Comecon regime, enabling it to satisfy its western customers.

The Ukrainian government has been unwilling to liberalise energy prices, even though mounting shortages suggest no other practical option. This deepens the energy crisis and delays restructuring of heavy industry away from energy-intensive activities.

The mining sector, once a Soviet showcase, mirrors Ukraine's economic plight. The heavily subsidised mines in the country's eastern Donbass region drain state coffers with minimal return: the 1.2m coal miners at 362 mines - 5 per cent of the labour force - produce, on average, 5 per cent of the coal a western coal miner does; and the Kiev government is this year paying about $50m a month in subsidies.

The productivity gap can be blamed partly on antiquated equipment, which itself carries a high environmental cost. Ukraine's coal pits contribute 3 per cent (2.2bn cubic meters) of the world's emission of methane, a greenhouse gas associated with global warming. Accidents are another problem. Some four miners die for every 1m of coal produced - the highest rate in the world - MDNM/ in the Donetsk district alone 213 people were killed last year.

Many mines should be closed; but that would carry the politically unpalatable social cost of mounting unemployment.

● Despite a poor summer crop, Ukraine will not import grain this year, the Food and Agriculture Department announced this week.

Last year it produced 45m tonnes but analysts expect this year's crop to be below 40m; and the announcement that it will not resort to imports comes as a surprise.

A summer drought helped push yields down, but Mr Csaba Csaki, an agroeconomist at the World Bank in Washington, commented: "The inherited inefficiency of the collectives and input supplies and the trade break-down are the real problem - just don't blame the weather".

Coffee price surge brings return of Indian export curb

By Kunal Bose in Calcutta

The Indian government, unwilling to pay the electoral price of surging coffee prices, has drawn back from its policy of liberalising marketing of the commodity.

With assembly elections coming in November in the states of Karnataka and Andhra Pradesh, the federal government has decided to limit coffee exports to 110,000 tonnes this year in an effort to curb prices. In the final four months it will issue permits for only 5,000 tonnes a month.

Restricting coffee exports was not an easy step for the government to take two years into its market liberalisation programme. Faced, however, with severe opposition criticism over the "action taken" on the joint parliamentary committee report on the securities scandal the government could not ignore the anger of the coffee consumers in the south of India, who are paying as much as Rs200 (£4.10) for 1kg of coffee powder, up from Rs60 a year ago.

According to the growers, the restriction on exports will create problems for exporters, who may not be able to fulfil all their contractual obligations.

The move may not, however, provide much relief to domestic consumers as the 1993-94 (October-September) crop is now expected to be only 170,000 tonnes, instead of the 208,000 tonnes the Coffee Board had forecast earlier.

Moreover, local traders are said to have hoarded some coffee.

The growers are dismayed that the government has not as yet accepted their offer of 5,000 tonnes for distribution through "fair price" shops at subsidised rates. Though coffee is not covered by the Indian Essential Commodities Act and it is not perceived as a poor man's beverage, the government is likely to arrange its distribution through "fair price" shops well before the state elections are held.

Although the imposition of a levy on exports is ruled out growers and exporters see the cap on export as a "retrograde move". But the growers are happy that the Coffee Board has recommended that they be allowed to market their entire production directly . They are now required to surrender 50 per cent to the board, which conducts weekly auctions. In the current year, however, the board has received less than 25 per cent of the crop, causing it much embarrassment.

Ecuador moves farther along oil privatisation trail

By Raymond Colitt in Quito

Ecuador is taking a further step in opening its oil industry to the private sector.

Concession contracts to operate and explore marginal fields will be offered in late September or early October. Marginal fields are defined as those that now produce less than 1 per cent of Ecuador's total output.

Petroecuador, the state-owned oil company, believes that reserves and production in these fields can be increased significantly with only modest investment. Under the current administration's oil policy Petroecuador's limited investment funds are to be utilised to develop the country's principal fields.

A team of specialists is evaluating each of the 10 wells to be offered for bidding. The studies will determine precise investment requirements, which for now are estimated to total US$60m.

"This is a low-risk investment," says Mr Bernardo Perez of Petroecuador's contracting office, "because the fields are already producing and much of the infrastructure is in place."

The oil fields combined proven reserves total more than 100m barrels but are expected to increase following exploration efforts.

The operating cost per barrel of crude oil varies between $1.45 and $6.

Under the newly devised contract the current output of each field will continue to go to Petroecuador and the contractors income will be generated by increasing production. The winning bidder will be the company that offers the state the highest percentage of the additional output and the largest investment.

If the contractor proves unable to increase production within two years, the concession will be terminated and the field will have to be returned to state control.

Part of the contract, which is to last for 20 years, will also allow for oil exploration in the immediate vicinity of the existing well sites. Newly discovered reserves will be remunerated over a fixed compensation period. Infrastructure or machinery installed by the contractor will become state property after the contract expires.

The announcement of this latest bid comes only months after 10 petroleum companies won the right to explore and produce oil in over 2m hectares of Amazon rain forests.

Cuba looks forward to output boost

Cuba is expecting coffee production of 23,000 tonnes this year, the same as in 1993, but is looking forward to a significant increase over the next few years following the establishment of new farms, mainly in the island's more mountainous regions.

This year's exports are expected to be around 12,000 tonnes, also about the same as last year's, according to one of the country's official information agencies, with the main market continuing to be Japan. Cuba also sells to Austria, Britain, France, Germany, Italy and Spain.

The planned expansion of coffee production is part of a programme to broaden the base of Cuban agriculture, following last year's dramatic fall in the production of sugar, the main pillar of the island's economy.

Officials report increasing demand for Cuban coffee from foreign buyers seeking new sources because of the anticipated tight situation in the international market.

Russia to lift crude sales

Russian crude oil exports outside the former Soviet Union may rise by 10-15 per cent this year, according to Mr Oleg Davydov, the foreign economic relations minister, reports Reuters from Moscow.

He told the Itar-Tass news agency that Russia had to increase oil exports to support producers, who were struggling to find solvent consumers in the domestic and other FSU markets.

Fuel and Energy Ministry officials had said earlier that 1994 crude exports would total more than last year's 80m tonnes but ruled out a sharp increase in sales to the West because of limited port and pipeline capacity.

Mr Davydov mentioned the capacity restrictions on oil exports but said that new avenues were opening up, including through Ukraine, which had lowered transit tariffs to $5-$6 a tonne from $8-$11.

De Beers to search for diamonds off the coast of Sierra Leone

By Kenneth Gooding, Mining Correspondent

De Beers is to explore for diamonds on the sea bed off the coast of Sierra Leone. The government has granted the world's biggest diamond group a 15,800 square kilometre concession and De Beers will spend US$3m in the next nine months to survey the sea bed before sampling begins. Another $10m may be spent, depending on the first results.

Via its De Beers Marine subsidiary, the group has developed unique underwater exploration and mining techniques. It is operating off the coasts of Namibia and South Africa at depths of more than 100 metres. Last year De Beers recovered 302,000 carats of diamonds off the Namibian coast, a 16 per cent increase on the 1992 level.

The new arrangement takes De Beers back to Sierra Leone for the first time since 1988 when, after 32 years buying and exporting diamonds there, country, it quit, blaming the thriving parallel market and Sierra Leone's liquidity crisis at that time.

PNG copper/gold mine recaptured

By Emilia Tagaza in Melbourne and Kenneth Gooding in London

Papua New Guinea forces had recaptured the Panguna mine on Bougainville Island from secessionist rebels, Mr Paias Wingti, PNG's prime minister, said yesterday.

Paguna, once one of the world's biggest copper mines, was producing about 160,000 tonnes of copper and 510,000 troy ounces of gold annually, before it was forced to close in 1989 by a landowners' revolt and a violent sabotage campaign by the so-called Bougainville Revolutionary Army.

The mine is 53.6 per cent-owned and was operated by CRA of Australia, which in turn is 49 per cent-owned by RTZ Corporation of the UK.

Mr Mark Rayner, Bougainville Copper's chairman, said recently it would cost up to US$450m to bring the mine back into operation.

Hopes that work might start soon were dimmed, however, by a BRA representative in Australia who said yesterday that secessionist forces would resume guerrilla attacks from the mountains to prevent mining re-starting. He conceded, though, that the taking of Panguna by PNG troops was a sign that the secessionist influence might be waning.

Mr Wingti said troops had met little resistance.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-16,850	to 2,474,200
Aluminium alloy	unchgd	at 26,480
Copper	+1,625	to 348,100
Lead	-375	to 365,050
Nickel	+528	to 136,656
Zinc	-875	to 1,223,525
Tin	-125	to 31,040

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1440.5-1.5	1469-70
Previous	1454-4.5	1483-4
High/low	1443.5	1478/1467
AM Official	1443-3.5	1472-2.5
Kerb close		1476-7
Open int.	278,606	
Total daily turnover	71,806	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1555-65	1565-75
Previous	1570-60	1565-70
High/low		1585/1580
AM Official	1555-60	1565-70
Kerb close		1585-90
Open int.	2,857	
Total daily turnover	1,224	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	551.5-2.5	573.5-4.0
Previous	550-1	568.5-9.0
High/low	558	576/570
AM Official	557-8	574.5-5.0
Kerb close		572-3
Open int.	41,533	
Total daily turnover	14,843	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5565-75	5650-70
Previous	5585-95	5675-80
High/low		5740/5580
AM Official	5560-65	5655-60
Kerb close		5670-80
Open int.	58,362	
Total daily turnover	13,361	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5140-50	5220-30
Previous	5125-35	5200-10
High/low	5155/5150	5250/5210
AM Official	5155-60	5225-30
Kerb close		5250-60
Open int.	17,553	
Total daily turnover	2,854	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	941.5-2.5	965-6
Previous	939-40	963-3.5
High/low		985/963
AM Official	939.5-40	962-3
Kerb close		963-4
Open int.	102,765	
Total daily turnover	19,040	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2394.5-5.5	2405.5-6.5
Previous	2400-2	2411-13
High/low	2398/2387	2413/2403
AM Official	2398-9	2408-8.5
Kerb close		2409-10
Open int.	217,747	
Total daily turnover	56,014	

■ LME AM Official £/$ rate: 1.5386
LME Closing £/$ rate: 1.5411

Spot:1.5430 3 mths:1.5397 6 mths:1.5372 9 mths:1.5332

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Aug	108.15	-0.45	108.20	108.10	226	77
Sep	108.00	-0.60	108.00	107.60	21,220	5,425
Oct	108.05	-0.50	108.50	108.50	824	56
Nov	108.10	-0.40	108.20	108.20	560	5
Dec	108.10	-0.35	108.90	107.85	16,465	2,118
Jan	107.80	-0.35	-	-	378	1
Total					46,639	7,859

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	376.60-377.00	
Opening	376.90-377.30	
Morning fix	376.60	244.609
Afternoon fix	376.30	244.367
Day's High	377.10-377.50	
Day's Low	376.10-376.50	
Previous close	377.25-377.75	

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....4.06 6 months 4.63
2 months ....4.15 12 months 4.13
3 months 4.24

Silver Fix	p/troy oz.	US cts equiv.
Spot	329.45	507.25
3 months	333.65	513.00
6 months	338.75	519.90
1 year	350.65	525.00

Gold Coins	$ price	£ equiv.
Krugerrand	382-385	248-251
Maple Leaf	387.00-389.45	-
New Sovereign	89-91	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Aug	377.7	+0.5	377.0	375.5	270	14
Sep	378.5	+0.5	-	-	3	20
Oct	380.0	+0.5	380.2	377.5	10,371	814
Dec	383.2	+0.5	383.1	380.3	91,521	15,886
Feb	386.3	+0.5	386.5	384.0	12,402	1,056
Apr	388.6	+0.5	387.5	387.5	6,243	37
Total					135,942	18,040

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Oct	414.4	+0.6	415.0	411.0	17,728	1,815
Jan	417.5	+0.7	418.0	415.5	3,891	198
Apr	420.0	+0.5	420.0	420.0	1,885	54
Jul	423.9	+1.4	-	-	451	50
Oct	426.4	+1.4	-	-	103	-
Total					23,818	2,117

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Sep	154.65	+0.75	154.75	153.25	3,882	212
Dec	155.05	+0.95	155.05	154.00	2,834	132
Mar	154.55	+0.95	154.55	154.00	237	5
Total					6,933	349

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Aug	508.5	+3.5	-	-	-	-
Sep	510.7	+3.5	516.0	505.5	66,808	11,186
Dec	517.8	+3.6	522.0	510.0	32,584	2,330
Jan	520.2	+3.6	-	-	34	-
Mar	526.6	+3.6	529.0	518.5	7,066	119
May	530.8	+3.6	-	-	3,930	27
Total					122,573	13,968

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	18.13	-0.07	18.28	18.12	83,011	42,658
Oct	18.20	+0.01	18.35	18.17	74,785	35,924
Nov	18.18	-0.04	18.31	18.12	37,493	9,489
Dec	18.17	+0.08	18.28	18.13	43,770	11,278
Jan	18.16	+0.13	18.17	18.09	28,437	3,547
Feb	17.96	-	17.97	17.87	16,419	2,729
Total					368,358	116,32[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	16.87	+0.10	17.08	16.80	54,108	18,170
Oct	17.08	+0.11	17.15	17.00	66,104	21,965
Nov	17.05	+0.10	17.08	-	16,508	3,084
Dec	17.01	+0.11	17.04	16.92	18,298	1,998
Jan	16.97	+0.17	16.97	16.85	7,292	501
Feb	16.83	+0.15	16.83	16.80	4,950	325
Total					178,085	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	48.25	+0.15	48.50	48.05	30,287	10,210
Oct	50.15	+0.15	50.35	49.90	22,771	4,330
Nov	51.25	+0.15	51.45	51.05	13,180	3,058
Dec	52.25	+0.20	52.45	52.00	31,479	2,951
Jan	53.00	+0.25	53.10	52.75	17,128	1,227
Feb	53.35	+0.35	53.35	53.35	7,001	342
Total					149,740	25,787

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	152.75	+1.50	153.00	151.25	29,042	4,948
Oct	156.25	+1.25	156.50	155.00	20,774	2,613
Nov	158.50	+0.75	158.00	157.75	12,299	1,221
Dec	160.50	+1.00	160.50	159.50	14,825	1,338
Jan	162.00	+0.75	162.25	161.25	10,628	875
Feb	162.50	+1.50	162.50	162.00	3,400	295
Total					98,447	11,450

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	1.745	-0.008	1.795	1.745	21,186	13,207
Oct	1.825	-0.010	1.860	1.826	22,883	7,780
Nov	2.010	-0.010	2.040	2.010	11,778	1,418
Dec	2.175	-0.005	2.200	2.170	18,891	1,422
Jan	2.185	-0.003	2.225	2.180	12,362	534
Feb	2.130	-	2.135	2.120	7,632	702
Total					138,772	27,268

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	55.55	+0.72	55.90	55.00	32,421	24,057
Oct	52.45	+0.52	52.80	52.30	19,295	8,769
Nov	50.75	+0.22	51.10	50.65	12,955	2,552
Dec	50.40	+0.30	50.60	50.30	7,741	791
Jan	50.10	+0.60	50.10	50.10	3,243	225
Feb	54.50	+0.40	54.50	54.50	2,134	358
Total					77,788	37,222

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	104.90	-0.40	105.30	105.00	367	116
Nov	105.65	-0.50	106.15	105.60	2,310	151
Jan	107.55	-0.55	107.80	107.60	1,352	28
Mar	109.45	-0.35	109.40	109.30	790	67
May	111.25	-0.35	111.50	111.25	1,241	131
Jul	113.00	-0.50	113.25	113.00	146	11
Total					6,505	532

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	350/2	+3/6	352/4	345/6	14,024	3,151
Dec	359/4	+3/6	360/0	351/4	39,154	10,820
Mar	372/2	+4/0	374/4	366/0	10,200	1,765
May	368/4	+5/4	369/0	361/2	725	113
Jul	345/6	+4/6	346/0	341/0	1,378	206
Dec	356/6	+4/6	-	-	2	-
Total					62,605	16,898

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	219/0	+1/4	219/2	217/6	34,047	6,589
Dec	221/2	+1/4	222/0	219/4	122,670	14,455
Mar	230/4	+1/2	230/6	229/6	28,172	2,999
May	236/2	+1/4	236/6	235/4	10,643	408
Jul	241/2	+1/2	241/6	240/6	9,205	1,176
Sep	243/0	+1/6	243/4	242/4	717	29
Total					209,505	25,353

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	104.40	+0.05	-	-	147	-
Nov	105.25	-0.25	-	-	489	-
Jan	106.30	-0.35	106.40	106.40	205	9
Mar	108.05	-0.40	-	-	37	-
May	109.75	-	-	-	1	-
Total					840	9

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	583/2	+4/0	586/0	581/4	4,881	1,102
Sep	569/0	+3/2	571/0	568/0	14,118	2,529
Nov	567/6	+1/0	570/6	567/4	74,436	17,894
Jan	573/6	+1/0	576/0	573/6	13,628	1,891
Mar	579/6	+1/0	579/4	579/4	4,494	561
May	585/6	+0/6	585/4	585/0	3,180	132
Total					122,446	24,787

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	24.17	+0.13	24.23	24.10	2,148	632
Sep	24.07	+0.08	24.18	24.03	20,471	3,654
Oct	23.97	+0.06	24.06	23.85	15,918	2,246
Dec	23.84	+0.05	23.97	23.80	34,939	6,836
Jan	23.84	+0.04	23.82	23.82	4,850	299
Mar	23.84	+0.03	23.90	23.84	2,185	314
Total					89,764	14,262

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	174.1	+1.5	174.7	173.0	3,829	1,546
Sep	172.7	+0.9	173.8	172.1	15,181	4,875
Oct	171.7	+1.2	172.8	171.2	11,093	1,097
Dec	172.1	+0.8	173.3	171.8	22,780	5,890
Jan	172.7	+0.8	173.6	172.9	4,803	187
Mar	174.8	+0.8	175.5	174.8	5,442	186
Total					80,577	13,038

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	150.0	-	-	-	-	-
Mar	160.0	-	-	-	-	-
Apr	187.8	+0.5	200.0	197.5	1,243	121
May	210.5	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,349	121

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	1476	-10	1490	1475	613	27
Sep	1425	-19	1440	1425	634	55
Oct	1440	-15	1430	1430	894	55
Jan	1450	-15	1465	1450	382	8
Apr	1475	-10	1477	1475	117	10
Jul	1330	-15	1335	1335	48	2
Total					2,492	151

	Close	Prev
BFI	1605	1601

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1065	+20	1078	1039	14,563	1,615
Dec	1089	+24	1095	1062	27,333	2,163
Mar	1111	+20	1116	1084	20,922	784
May	1117	+20	1123	1097	11,103	297
Jul	1124	+18	1120	1120	4,343	25
Sep	1136	+20	1136	1122	6,849	70
Total					105,223	5,182

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1432	+28	1445	1401	10,486	4,544
Dec	1488	+31	1501	1456	34,577	5,239
Mar	1521	+30	1532	1490	10,583	200
May	1541	+30	1542	1530	3,143	178
Jul	1561	+30	1543	1543	2,433	45
Sep	1581	+30	-	-	1,247	-
Total					65,997	10,245

■ COCOA (ICCO) (SDR's/tonne)

Aug 15	Price	Prev. day
Daily	1082.42	1069.07

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	3493	-	3550	3475	12,420	1,413
Nov	3441	+11	3495	3432	11,163	1,491
Jan	3423	+25	3445	3405	10,187	1,680
Mar	3388	+30	3405	3375	4,855	621
May	3366	+32	3380	3360	1,185	63
Jul	3370	+30	-	-	418	39
Total					39,871	5,298

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	191.95	-2.05	194.00	188.50	7,795	3,305
Dec	197.00	-1.45	199.00	194.00	17,237	5,881
Mar	199.50	+0.85	199.65	197.00	5,450	160
May	200.00	+0.60	200.00	199.50	1,532	18
Jul	200.75	+0.60	200.75	200.75	435	10
Sep	201.25	+0.60	201.25	201.25	139	2
Total					33,081	9,366

■ COFFEE (ICO) (US cents/pound)

Aug 15	Price	Prev. day
Comp. daily	178.85	179.85
15 day average	181.41	181.77

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.15	+0.07	-	-	1,801	-
Jan	11.82	-	-	-	-	-
Mar	12.01	+0.14	-	-	50	-
Total					1,881	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	318.00	+1.50	318.50	317.00	10,769	772
Dec	314.80	+1.60	316.70	314.30	1,205	12
Mar	315.10	+1.30	315.90	314.30	4,786	118
May	314.90	+1.90	-	-	881	-
Aug	318.40	+1.90	-	-	185	-
Oct	305.60	+1.00	-	-	24	-
Total					17,870	902

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	11.86	+0.08	11.88	11.80	58,750	10,374
Mar	11.80	+0.09	11.85	11.80	38,161	7,744
May	11.79	+0.08	11.82	11.78	9,488	222
Jul	11.72	+0.09	11.76	11.71	3,266	216
Oct	11.57	+0.10	-	-	1,579	28
Mar	11.29	+0.01	11.29	11.29	217	-
Total					112,334	18,571

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	67.98	+0.72	68.20	66.87	5,532	1,154
Dec	68.60	+0.25	69.05	67.75	29,502	2,547
Mar	68.05	+0.30	68.40	67.36	7,248	1,720
May	68.63	+0.26	70.00	68.30	3,093	332
Jul	68.95	+0.32	69.45	68.05	4,529	653
Oct	68.95	+0.30	69.00	68.55	418	39
Total					46,744	6,889

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	92.55	-2.90	95.70	92.55	9,276	1,133
Nov	95.35	-2.60	99.60	95.00	4,887	559
Jan	99.70	-2.30	102.10	99.55	4,133	189
Mar	104.05	-1.65	105.50	104.00	2,806	17
May	106.30	-2.00	107.00	107.00	1,037	11
Jul	108.55	-2.35	110.90	110.50	232	2
Total					22,193	1,925

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	68.875	-1.125	68.750	68.700	7,023	2,669
Oct	71.675	-0.550	72.150	71.250	32,210	7,906
Dec	70.050	-0.175	70.200	69.750	15,135	3,150
Feb	69.350	-0.125	69.625	69.150	10,168	1,154
Apr	70.775	-0.100	71.000	70.650	6,165	575
Jun	67.675	-0.075	67.850	67.650	1,484	132
Total					72,473	15,699

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	45.300	-0.100	45.350	45.000	1,393	623
Oct	40.000	-0.325	40.225	39.750	11,982	3,082
Dec	39.675	-0.450	40.250	39.750	6,880	1,447
Feb	40.300	-0.225	40.550	40.200	1,948	307
Apr	39.800	-0.125	40.050	39.500	1,313	117
Jun	44.475	-0.100	44.525	44.400	480	14
Total					24,164	5,602

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	30.550	-1.225	31.325	30.525	506	157
Feb	43.125	-2.000	44.700	43.125	6,915	1,388
Mar	42.850	-2.000	44.700	42.850	368	177
May	43.325	-1.925	45.000	43.300	53	44
Jul	44.700	-1.575	45.800	44.275	90	15
Aug	44.400	-1.050	44.400	44.400	14	2
Total					7,986	1,781

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1425	67	108	24	42
1450	52	91	34	52
1475	40	78	46	64
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
2350	103	136	36	82
2400	75	103	59	108
2450	52	82	85	133
■ COFFEE LCE	Sep	Nov	Sep	Nov
3250	248	405	5	225
3300	203	379	10	249
3350	161	358	18	273
■ COCOA LCE	Sep	Dec	Sep	Dec
1000	66	125	-	35
1050	20	90	4	55
1100	1	70	35	80
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1700	51	66	43	-
1750	35	47	-	-
1800	21	32	-	130

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Oct)		+or-
Dubai	$15.80-5.90w	+0.190
Brent Blend (dated)	$16.84-6.86	
Brent Blend (Oct)	$17.05-7.07	+0.105
W.T.I. (1pm est)	$18.28-8.28w	+0.130
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$208-209	-2
Gas Oil	$153-154	+1
Heavy Fuel Oil	$95-97	
Naphtha	$161-163	
Jet fuel	$169-170	+3
Petroleum Argus estimates		
■ OTHER		
Gold (per troy oz)♣	$376.80	-0.55
Silver (per troy oz)♣	508.5c	+2.0
Platinum (per troy oz.)	$410.40	+0.65
Palladium (per troy oz.)	$152.25	+0.25
Copper (US prod.)	113.0c	
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	13.20m	-0.02
Tin (New York)	240.5c	-1.0
Cattle (live weight)†	121.34p	+0.93*
Sheep (live weight)†♣	90.67p	-2.75*
Pigs (live weight)†	79.87p	+7.86*
Lon. day sugar (raw)	$304.1	-2.0
Lon. day sugar (wte)	$344.0	-1.0
Tate & Lyle export	£310.0	-1.0
Barley (Eng. feed)	£105.5	-0.5
Maize (US No3 Yellow)	$142.5	
Wheat (US Dark North)	£180.0	
Rubber (Sep)♥	86.75p	-0.25
Rubber (Oct)♥	86.75p	-0.25
Rubber (KL RSS No1 Aug)	322.50m	-0.50
Coconut Oil (Phil)§	$590.0z	-10.0
Palm Oil (Malay.)§	$565.0w	+7.5
Copra (Phil)§	$397	
Soyabeans (US)	£187	
Cotton Outlook 'A' Index	75.10c	-0.40
Wooltops (64s Super)	444p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct. z Sep/Oct. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. † Sheep (Live weight prices). * Change on week. ◊ Prices are for previous day.

Tea

The Tea Broker's Association reports, good general demand. Bright liquoring East Africans were well supported at fully firm to dearer rates. Mediums were irregular but generally 2 - 3 pence easier. Ceylons met keen competition at dearer rates, often substantially for improved quality sorts. Kenyas were firm but Ugandas were selective. Quotations best available 170p/kg nom, good 160p/kg, good medium 140p/kg, medium 120p/kg, low medium 84p/kg. The highest price realised this week was 171p for a Kenya pf.1. The minor medium report was not available for this edition.

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

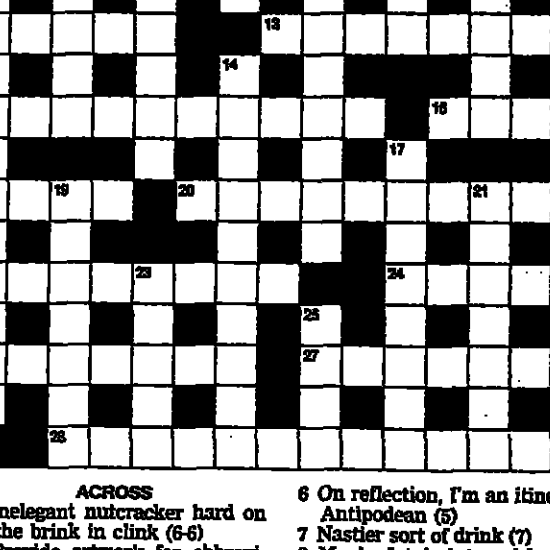
Aug 16	Aug 15	month ago	year ago
2083.7	2080.8	2156.8	1823.0

■ CRB Futures (Base: 1967=100)

Aug 15	Aug 12	month ago	year ago
228.44	226.70	234.22	213.72

CROSSWORD

No.8,534 Set by DOGBERRY



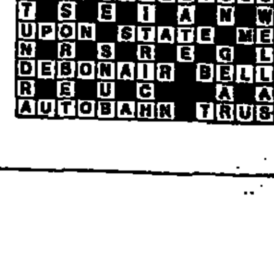
ACROSS

1 Inelegant nutcracker hard on the brink in clink (6-6)
10 Provide artwork for abbreviated National Party (7)
11 Manager of electoral system to be omitted from month (7)
12 Sign of Iberian slate swamping Germany (5)
13 Cause of Iron Maiden's beginning to go without skirts? (8)
15 From Rome to Paris, I arrange the entertainment (10)
16 Assistant to couple (4)
18 Novel old signallers' meridian .... (4)
20 .... and post, including lorry and the foreign verb's component (10)
22 Message for member having right to feature in the side (8)
24 Russian king in Boulogne, for instance (5)
26 Offend again when not acting? (7)
27 Agree artist fancied beast (7)
28 Absurd novelist almost opening electricity bill inside (12)

DOWN

2 Pins feature in sporting position (3-4)
3 Virgin climbing tree misjudged distance across (8)
4 Looked over colouring without additive (4)
5 Be grateful for increase in value (10)
6 On reflection, I'm an itinerant Antipodean (5)
7 Nastier sort of drink (7)
8 Mae's fatal date with blue musical (4,4,5)
9 Peculiar disciple points out brown bird (9,4)
14 Religious artist might leave a vicar agog (10)
17 Empty slander about taximan having more crusts (8)
19 Exploits work of unassertive character (4-3)
21 Standard meeting-place, mostly, of nouveau riche (7)
23 Force ready to make sudden attack (5)
25 Burns (say) to write books on science (4)

Solution 8,533



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

US rate rise decision too late to affect London

By Steve Thompson

The London stock market was again preoccupied with watching for any signs of a precursor to a shift in US interest rates, eventually ending a tense but largely boring session marginally higher on balance.

The FT-SE 100 Index settled with a net gain of 5.1 at 3,147.3, having moved in a narrow range throughout the day. The FT-SE Mid 250 Index delivered another uninspiring performance, closing 4.1 lower at 3,715.1.

While dealers remained on alert for the rise in US rates, which could impact on the large number of UK stocks traded on Wall Street, the move of 50 basis points in the Fed Funds rate came two hours after London closed.

The market began the trading session in subdued fashion with marketmakers lowering their opening prices in the wake of an eight-point fall on the Dow Industrial Average.

The early decline proved short-lived, however, as a lower than expected public sector borrowing requirement number of £1.1bn, compared with a consensus figure up around £1.5bn, boosted gilt-edged stocks and produced a keen rally in the equity market.

Gilts were also supported by the latest survey of disitributive trades published by the Confederation of British Industry which pointed to a slowing of retail sales, a move interpreted in the City as reducing the possibility of an early increase in UK interest rates. Down some three points at the outset, the FT-SE 100 moved into positive territory within the hour, gradually climbing to reach the day's high point of 3,151.6, up 9.4, shortly after Wall Street opened and while the US Federal Open Market Committee meeting was in progress.

But with Wall Street faltering, before embarking on another good rise after London had closed, the UK market began to ease off.

As well as having to contend with an expected rise in US interest rates, the market has to face a welter of domestic economic news this morning. This will include unemployment figures for July, average earnings and, most importantly, inflation numbers for last month. Some forecasters are looking for a negative inflation result month on month.

Turnover yesterday came out at 511.8m shares, with non-FT-SE 100 stocks accounting for around 57 per cent of activity. The value of customer business on Monday was a slightly disappointing £1.145bn.

Meanwhile, a buzz of excitement went around the trading desks in the late afternoon as dealers picked up whispers that a big FT-SE 100 bid could be in the offing.

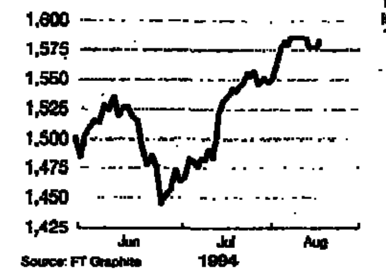
GEC was one name being bandied about as a potential bid target for one of the big conglomerates such as BTR or Hanson. This story was mostly dismissed by analysts, who pointed out that GEC was much more likely to emerge as a predator than a target.

And traders again began to focus on the obvious benefits of a merger between British Aerospace and GEC, which have been involved in tentative merger talks in the past. There was heavy trading in GEC stock, with one leading UK broking house said to have bought the stock aggressively, while British Aerospace shares were being chased in the market.

Marketmakers also pointed out that GEC was in a strong position to buy in its own shares. Another takeover candidate, according to the market, was Wellcome, the pharmaceuticals group, with Glaxo one name being mooted. The regional electricity stocks were also being viewed as potential takeover targets.

Bank shares continued to attract switching, with HSBC again badly affected by worries of static underlying profits growth. Bank of Scotland and Standard Chartered were the prime beneficiaries of the stories. Dealers pointed to Goldman Sachs, UBS and Morgan Stanley as brokers advising the switch.

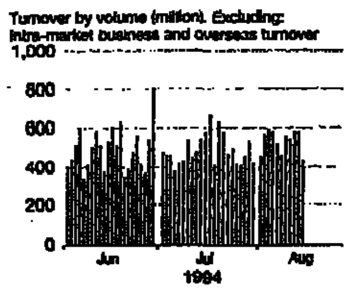
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3147.3	+5.1
FT-SE Mid 250	3715.1	-4.1
FT-SE-A 350	1590.2	+1.5
FT-SE-A All-Share	1578.30	+1.36
FT-SE-A All-Share yield	3.78	(3.79)
FT Ordinary index	2474.5	-0.3
FT-SE-A Non Fins p/e	19.92	(19.90)
FT-SE 100 Fut Sep	3153.0	+1.0
10 yr Gilt yield	8.68	(8.76)
Long gilt/equity yld ratio:	2.31	(2.33)

Best performing sectors

1. Gas Distribution .... +1.3
2. Water .... +1.1
3. Electronic & Elec Eqpt .... +1.0
4. Pharmaceuticals .... +0.8
5. Food Manufacturers .... +0.6

Worst performing sectors

1. Engineering, Vehicles .... -1.8
2. Banks .... -1.2
3. Oil Exploration & Prod .... -0.8
4. Other Services & Bsns .... -0.7
5. Life Assurance .... -0.4

Sotfware company retreats

Software component supplier Micro Focus saw its shares plummet 190 to 873p as it produced interim figures well below market expectations and issued a profits warning. The drop came as a further blow to the group, whose shares stood at £30 just 18 months ago.

Analysts said the problems at Micro Focus would direct attention to the company's £56m cash pile, with speculation that the company may sweeten investor unease with a share buy-back scheme or a special dividend payment. The company's performance and dramatic share price retreat also prompted talk of predatory interest. One disillusioned analyst was not holding out bid hopes and was advising clients to sell the shares down to 650p – the value being put on the cash pile and revenue stream.

Micro Focus profits fell 40 per cent to £7m, against analysts' forecasts of up to £12m. They pinpointed the blame on delays in products coming to the problematic software market, together with an escalation in costs. Profit predictions for the full year were being scaled back from the £25m level to just above half that amount.

HSBC tumbles

International banking group HSBC Holdings won the dubious honour of being the day's worst performer among FT-SE 100 constituents as the market continued to reflect on Monday's interim figures.

The shares tumbled 33 to 717p in trade of 4.3m, with Goldman Sachs, UBS and Morgan Stanley mentioned among brokers that advised investors to switch out of HSBC and into Standard Chartered, while other securities houses were said to have simply hung a straight "sell" recommendation on the stock.

HSBC reported a big increase in headline profits on Monday, but the market was surprised and disappointed by the sharp fall in dealing profits at the group's subsidiaries Midland Bank and HongKong Bank.

However, several brokers still see value in the shares and have recommended investors to buy the stock on weakness. Mr Ian Poulter at Yamaichi Securities continues to favour the stock and said investors should focus on "the growth in income (other than dealing profits), particularly in the Asia Pacific region". Paribas Capital Markets also remains positive on HSBC and said: "The recent weakness in the shares is an excellent buying opportunity."

Standard Chartered closed 8 ahead at 258p after trade of 2.1m shares.

Wellcome climbs

Takeover talk refused to die down among pharmaceutical stocks, with Wellcome once again attracting most attention. The shares galloped a further 27 ahead to 719p. Glaxo, off 3 at 627p, was the name being mooted yesterday as a potential bidder for Wellcome, although analysts said such a move, one of the market's long-standing takeover stories, would run counter to the company's culture.

The regional electricity companies (recs) tried to recover their poise but most failed to stay in positive territory. BZW was doing its best to inject a bullish tone to keep the sector humming after last week's perceived supportive Offer recomendations.

The broker was forecasting dividend growth of between 6 and 8 per cent per annum, together with the now much-anticipated corporate activity, and recommending Midlands, up a penny at 750p, Southern, down 9 at 717p, Seeboard, ahead a penny at 402p, and Sweb, off 6 at 706p.

The oil majors were largely unmoved but the exploration and production stocks included a dull feature in Enterprise Oil, which dipped 7 to 433p as NatWest Securities reiterated its bearish stance on the stock.

NatWest said: "The shares have bounced since the Lasmo bid, understandably since higher oil prices should guarantee that even if the dividend is not covered it will be paid. However, at a 30 per cent premium to asset value the shares still look expensive."

Burmah Castrol were on offer after talk that the stock had figured prominently in a sizeable programme trade; at the close they were 7 lower at 869p.

Hoare Govett was pointing out the potential of the Chinese cellular market in respect of Cable and Wireless, together with the latter's recent underperformance in the stock market. The stock hardened 2¼ to 438p.

Scantronic was one of the market's worst performers, the shares falling 6½ to 20p after warning of first-half losses.

Food and detergent giant Unilever continued to bask in the glow of its sparkling results released last Friday, the shares adding 19 at 1126p. Speculative interest pushed United Biscuits up 7 to 345p.

Argos, the catalogue retailer, again suffered from market disappointment with Monday's results and the stock slid 7 to 360p. Great Universal Stores put on 5 at 566p as Hoare Govett upgraded the shares to a hold. US buying was said to have helped Kingfisher advance 10 to 530p.

W.H. Smith was reported to be fighting a strong rearguard action over fears that the Net Book Agreement, which keeps retail prices at a minimum requirement, may be about to expire. The shares rallied from initial easiness to close unchanged at 483p.

NatWest Securities was said to have been responsible for an agency cross in Sears, 8m shares at 118p. The stock slipped back a penny to 122p.

A positive agm statement from Mansfield helped the regional brewer up 4 to 232p. Other regionals also caught the mood, Wolverhampton & Dudley adding 8 at 541p and Vaux 2 at 241p.

Holiday tour operator Airtours slipped 5 to 453p as rival Owners Abroad, which the former failed to take over last year, announced a name change and rebranding exercise. The shares eased 2 to 107p. Seasonal buying lifted Eurocamp 9 to 282p.

Nervous trading in BICC ahead of today's interim figures left the shares 9 lighter at 412p. Profits are expected to be in the region of £60m.

News of the lower than expected figures for new car registrations in the first 10 days of August hit several motor dealers and component manufacturers.

Among dealers, Reg Vardy fell 7 to 184p, while in the component manufacturers sector, GKN eased 10 to 630p and T&N, in which 2m shares were dealt at 235p, well below the market price, finished 12 down at 240p.

A two-way pull in international conglomerate Hanson, which reported third-quarter figures in line with market expectations, brought volume of 7m as the shares eased a penny to 264p.

ICI continued its slide in the wake of the recent downgrade by investment bank Lehman Brothers, finishing 17 cheaper at 821p.

MARKET REPORTERS:
Steve Thompson,
Christopher Price,
Joel Kibazo, Saqib Qureshi.

■ Other statistics, Page 16

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (32).
BLDG MATLS & MCHTS (1) Johnston., CHEMICALS (2) Allied Colloids, MTM, DISTRIBUTORS (1) Northamber, ELECTRNC & ELECT EQUP (4) Dewhurst 'A', Philips Elects, Pifco, Do. A, ENGINEERING (2) Kobe Steel, Thyssen, ENG, VEHICLES (1) Airflow Streamlines, FOOD MANUF (1) IAWS 'A', HEALTH CARE (1) Seton Healthcare, HOUSEHOLD GOODS (1) Osborne & Little, INVESTMENT TRUSTS (8) Fleming Indian, Do. Warrants, Kleinwort Emrg Mkts Wts, Mezzanine Cap & Inc Tst., Morgan Gren. Latin Amer., Do. Wrts, TR European Growth Ptg. Subs., Templeton Latin Amer., OIL EXPLORATION & PROD (1) Bow Valley, OTHER FINANCIAL (1) Exco, OTHER SERVS & BUSNS (1) Applied Holographics, PHARMACEUTICALS (1) Wellcome, RETAILERS, GENERAL (3) Etam, French Connection, Next, TEXTILES & APPAREL (2) Mading Inds, Yorklyde, AMERICANS (1) CPC.

NEW LOWS (26).
GILTS (6) BUILDING & CNSTRN (4) Barratt Dev., Eve Group, Higgs & Hill, Westminster Scaffolding, DISTRIBUTORS (3) Azlan, Bletchley Motor, Lex Service, ELECTRNC & ELECT EQUP (1) Scantronic, ENGINEERING (1) Concentric, EXTRACTIVE INDS (1) World Fluids, HOUSEHOLD GOODS (1) Creighton Naturally, INSURANCE (1) Angerstein Warrants, LEISURE & HOTELS (1) Priam Leisure, OTHER FINANCIAL (1) King & Shaxson, PHARMACEUTICALS (2) Cantab Pharms., Huntingdon Intl., PRTNG, PAPER & PACKG (1) Ferguson Intl, RETAILERS, GENERAL (1) Alexon, TEXTILES & APPAREL (1) Adidas, AMERICANS (1) Rockwell.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures traded in a tight range as dealers waited for the outcome of discussions at yesterday's Federal Open Market Committee meeting. Confirmation of a rise in US interest rates came well after the market close, *writes Joel Kibazo.*

The September contract on the FT-SE 100 opened at 3,155 and languished in the first hour. The lower than expected PSBR figure cheered the market, sending the contract ahead to reach a peak of 3,169.

However, a combination of profit-taking together with concerns that the FMOC would raise interest rates saw the contract give up the early gains.

Following a bout of sideways trading over the lunchtime period, September again moved forward, this time encouraged by the firm opening on Wall Street.

But the worries on interest rates remained, which brought another setback and September finished just ahead of the day's low at 3,153, a point ahead of its previous close and at a 5-point premium to cash. Volume at 6,766 lots remained low.

Traded options stayed dull and total turnover was 22,268 lots. Two big trades in Hanson puts were the only outstanding feature in the stock options. They were said to have been carried out by Kleinwort Benson and Monument. Volume was 3,481.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3155.0	3153.0	+1.0	3169.0	3151.0	6766	55585
Dec	-	3168.5	+1.0	-	-	0	4123
Mar	-	3186.5	+1.0	-	-	0	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3735.0	3733.0	-7.0	3736.0	3735.0	55	4510

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3733.0	-	-	-	-	636

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3148) £10 per full index point

	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P
Aug	198½	1	148½	1	98½	2	51	5½	17½	23½	3½	59½	1	107	1	157
Sep	212½	10	169	16½	127½	25½	91½	39	61½	60	38	87	20½	122	11½	164
Oct	224	25½	184	35	146	48½	116	66	87½	88	65	115½	45	146	146	183
Nov	242½	35½	206	49	170	62	139	81	110	102	86½	128½	65½	158	48½	192
Dec†			222½	60½			158½	94½			104	141½			65	202½

Calls 2,888 Puts 4,491

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

TRADING VOLUME

■ Major Stocks Yesterday

FT - SE Actuaries Share Indices — The UK Series

■ FT-SE Actuaries All-Share

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

LONDON EQUITIES

LIFFE EQUITY OPTIONS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	55	10	5
Other Fixed Interest	1	0	14
Mineral Extraction	82	24	94
General Manufacturers	103	136	407
Consumer Goods	58	26	103
Services	94	61	331
Utilities	20	13	12
Financials	100	62	206
Investment Trusts	94	37	336
Others	75	16	39
Totals	682	405	1547

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	August 8	Expiry	November 10
Last Dealings	August 19	Settlement	November 24

Calls: Bluebird Toys, Magnum, Weir Group, Put: Blenheim Group Puts & Calls: Ramco, Waverley Mining

LONDON RECENT ISSUES: EQUITIES

RIGHTS OFFERS

FINANCIAL TIMES EQUITY INDICES

FT GOLD MINES INDEX

LONDON SHARE SERVICE

BANKS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

TVX Gold ♥	341p	+¼	478½	340½p	638.6	–	
Toronto-Dom	9⅝	—	11¾	9⅛	2,902	3.9	
Trans Can Pipe ♥	8⅛	—	10⅞	7⅞	1,458	4.9	

SOUTH AFRICANS

	Notes	Price	+ or –	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£27	—	£27½	£13½	1,780	2.7	19.7
Barlow	Z	£4⅞	—	£5⅛	£3⅞	828.1	0.7	–
Gold Flds Prop R		111	—	113	76	11.3	8.6	⌽
NK Props.	§	86	—	89	85	3.42	10.5	34.9
SASOL	♥	436	—	436	280	2,469	3.2	–
SA Brews		£12⅜	—	£15⅛	£10	3,463	2.2	20.4
Tiger Oats	†	829	—	836	538	932.5	2.5	13.1
Tongaat-Hulett		663	—	*739½	427½	503.5	2.3	18.5

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⌽ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

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port curb

output boost

line recaptured

CROSSWORD

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd - Contd.

OTHER UK UNIT TRUSTS

INSURANCES

Abbey National Life Plc
287 St Vincent Street, Glasgow 041 305 6000

Clerical Medical/Fidelity Investments
Narrow Plain, Bristol BS2 0JH 0272 290566

Clerical Medical Investment Group
Narrow Plain, Bristol BS2 0JH 0272-290566

Friends Provident - Contd.

Lancashire & Yorkshire Assce Society

MGM Assurance (c)

Norwich Union Life Insurance Soc. - Contd.

Prudential Individual Pension Funds

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Scottish Mutual Assurance plc - Contd.

Scottish Provident Group

6 St Andrew Sq, Edinburgh 031-556 2852

Sun Alliance Group - Contd.

Sun Life Unit Assurance Ltd

St James Barton, Bristol BS99 7SL 0272 426911

Swiss Life (UK) PLC

101 London Rd, Sevenoaks 0732 450161

Century Life International Ltd

Eagle Star Intl Life

Equitable Life (International)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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هكذا من الاصل

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

For ABN AMRO see Luxembourg (SIB Recognised)

Prices quoted are 'A' shares

OTHER OFFSHORE FUNDS

CURRENCIES AND MONEY

MARKETS REPORT

Fed raises discount rate

The US Federal Reserve yesterday announced a 50 basis point increase in the discount rate to 4 per cent from 3.5 per cent, *writes Philip Gawith.*

The dollar's initial response was favourable, jumping from DM1.5515 before the announcement to DM1.5660 against the D-Mark. Traders reported a surge of interest in US Treasury bonds, which should help the dollar.

The decision by the Federal Open Market Committee, the policy making arm of the Fed, was favourably received by analysts who who described it as a "healthy, decisive move".

The rate increase was the fifth this year by the Fed. It said in a statement that it expected its actions "to be sufficient, at least for a time, to meet the objective of sustained non-inflationary growth."

The federal funds rate – the benchmark for US short term rates – will rise to 4.75 per cent from 4.25 per cent.

Ahead of the FOMC's announcement, which came at 17.17 GMT, currency trading across the board was fairly listless, with volumes low and currencies moving in fairly narrow ranges.

The D-Mark was slightly easier as some investors took profits, anticipating a rise in US rates. Sterling had an uneventful day with the trade weighted index unchanged all day at 78.8.

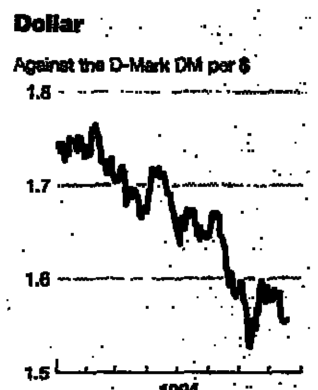
■ Analysts welcomed both the extent of the Fed's move, and the rhetoric that accompanied it.

Mr Tim Stewart, currency strategist at Morgan Stanley, commented: "This goes a long way to instilling credibility in the Fed both in terms of its actions and by its rhetoric." He said the dollar had been given a good deal of support at the DM1.55 level.

Mr Stewart said the dollar would probably take its cue from the Treasury bond market where the early outlook was encouraging, with signs of foreign investors buying.

Mr Stewart said the Fed would be unlikely to move rates again before its November meeting. He is not predicting a further rise this year.

But Mr Julian Jessop, international economist at Midland Global Markets, predicted that the federal funds rate would probably rise to 5 per cent this year, still a long way short of the 5.85 per cent being discounted by the December eurodollar contract.



■ Pound in New York

Aug 16	—Latest—	— Prev. close —
£ spot	1.5430	1.5415
1 mth	1.5424	1.5408
3 mth	1.5406	1.5412
1 yr	1.5280	1.5272

■ Ahead of the FOMC, activity in the interest rate futures markets was subdued. The December short sterling contract traded only 13,400 lots, but closed four basis points firmer at 93.23, helped by a lower than expected July public sector borrowing figure, and the CBI distributive trades survey showing that consumer spending remains patchy.

Mr Nick Parsons, treasury economist at CIBC in London, said the market was still "far too gloomy" about the outlook for rates.

He noted that at the beginning of the year, December short sterling reflected three month interest rates at 4.4 per cent by the end of 1994. This figure is now close to 6.8 per cent - "a massive turnaround by any standards".

Mr Parsons noted that, going back to 1989, three month LIBOR, as implied from the futures market, had never closed more than 82 basis points above the base rate.

But even if UK rates jump by ¾ per cent to 6 per cent, the December contract is still nearly 80 basis points above this level.

"It is hard to see what will drive three month rates to 6.8 per cent by December," said Mr Parsons.

■ Ms Liz Ward, economist at Bank Julius Baer in London, makes a similar point, noting that on the March 1995 futures contract for sterling and D-Mark rates, the expected differential has widened from a low of 52 basis points in March to around 200 basis points now.

Ms Ward notes that while expectations of higher UK short term rates should have boosted the pound, the reverse has occurred. "The widening gap seems to have reflected market perceptions of a weaker pound ahead. The causation is flowing from the currency to interest rates rather than vice versa."

She cites two other factors which explain the six per cent fall in the pound against the D-Mark this year. One is that sterling has traded like a "transatlantic" currency, following roughly half of the 6.7 per cent move down in the dollar.

The other is that "exchange markets have ignored strong UK fundamentals for even stronger ones in Germany." There also appears to be a belief that the German recovery is less likely than the UK one to foster inflation.

Although purchasing power parity estimates suggest the pound is nearly 10 per cent undervalued against the D-Mark, Ms Ward says it is difficult to make a case for buying pounds "without a convincing move on base rates first".

Sterling closed at DM2.3951 from DM2.4061 and at $1.5401 from $1.5467.

The Bank of England did not operate in the morning or afternoon rounds yesterday, providing UK money markets with only £90m late assistance after earlier forecasting a £350m shortage.

Overnight money traded between 4¼ and 6½ per cent.

■ OTHER CURRENCIES

Aug 16	£	$
Hungary	165.338 - 165.573	107.380 - 107.480
Iran	2706.00 - 2709.00	1748.00 - 1750.00
Kuwait	0.4582 - 0.4587	0.2976 - 0.2984
Poland	34912.7 - 34977.1	22675.0 - 22705.0
Russia	3267.30 - 3272.70	2115.00 - 2125.00
U.A.E.	5.6499 - 5.6614	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Aug 16		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.8757	+0.0336	674 - 839	16.8870	16.8331	16.8713	0.3	16.8595	0.4	-	-	115.5
Belgium	(BFr)	49.4003	+0.0821	659 - 346	49.4660	49.3380	49.3753	0.6	49.4553	-0.4	49.1853	0.4	117.0
Denmark	(DKr)	9.5182	+0.0142	115 - 249	9.5256	9.4949	9.5227	-0.6	9.5323	-0.6	9.5852	-0.7	116.7
Finland	(FM)	7.9571	+0.0156	473 - 668	7.9560	7.9400	-	-	-	-	-	-	82.8
France	(FFr)	8.2187	-0.0172	158 - 216	8.2439	8.2072	8.2224	-0.5	8.2221	-0.2	8.1861	0.4	110.5
Germany	(DM)	2.3951	-0.0006	939 - 962	2.4007	2.3919	2.3955	-0.2	2.3918	0.8	2.3629	1.3	127.0
Greece	(Dr)	363.079	+0.021	753 - 404	363.783	362.280	-	-	-	-	-	-	-
Ireland	(I£)	1.0128	-0.0016	118 - 133	1.0158	1.0115	1.0127	-0.1	1.0128	-0.1	1.0132	-0.1	104.1
Italy	(L)	2451.53	-1.42	012 - 294	2459.44	2446.39	2460.03	-4.2	2475.23	-3.9	2544.79	-3.8	74.7
Luxembourg	(LFr)	49.4003	+0.0821	659 - 346	49.4660	49.3380	49.3753	0.6	49.4553	-0.4	49.1853	0.4	117.0
Netherlands	(Fl)	2.6904	+0.0007	891 - 917	2.6953	2.6870	2.6907	-0.2	2.6868	0.5	2.6560	1.3	121.2
Norway	(NKr)	10.5528	+0.0142	483 - 569	10.5593	10.5307	10.5496	0.3	10.5601	-0.3	10.6461	0.1	86.8
Portugal	(Es)	245.800	-0.197	582 - 018	246.333	245.231	247.53	-8.4	250.71	-8.0	-	-	-
Spain	(Pta)	199.975	-0.37	884 - 065	200.227	199.518	200.465	-2.8	201.23	-2.5	203.46	-1.7	85.8
Sweden	(SKr)	12.0798	+0.1316	709 - 888	12.1040	11.9871	12.1014	-2.1	12.1519	-2.4	12.3724	-2.4	72.5
Switzerland	(SFr)	2.0093	-0.0024	081 - 104	2.0148	2.0063	2.0078	0.9	2.0038	1.1	1.971	1.9	122.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	78.8
Ecu	-	1.2611	+0.0006	600 - 622	1.2626	1.2595	1.2621	-1.0	1.2629	-0.6	1.2599	0.1	-
SDR†	-	0.943096	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5388	-0.0022	383 - 393	1.5409	1.5363	-	-	-	-	-	-	-
Brazil	(R)	1.3799	-0.0051	780 - 818	1.3820	1.3752	-	-	-	-	-	-	-
Canada	(C$)	2.1268	-0.0012	259 - 277	2.1298	2.1244	2.1272	-0.3	2.1278	-0.2	2.1383	-0.4	88.0
Mexico	(New Peso)	5.2456	+0.0018	411 - 500	5.2500	5.2398	-	-	-	-	-	-	-
USA	($)	1.5401	-0.0022	397 - 405	1.5423	1.5375	1.5396	0.4	1.5378	0.6	1.5263	0.9	63.2
Pacific/Middle East/Africa													
Australia	(A$)	2.0763	-0.0047	751 - 775	2.0877	2.0721	2.0763	0.0	2.0776	-0.3	2.0957	-0.9	-
Hong Kong	(HK$)	11.9018	-0.0171	979 - 056	11.9184	11.8821	11.8979	0.4	11.8968	0.2	11.9039	0.0	-
India	(Rs)	48.3110	-0.071	927 - 293	48.3740	48.2350	-	-	-	-	-	-	-
Japan	(Y)	154.685	+0.028	586 - 743	155.010	153.990	154.265	3.1	153.4	3.3	148.585	3.9	187.8
Malaysia	(M$)	3.9434	-0.0072	416 - 452	3.9550	3.9273	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5637	+0.0104	619 - 654	2.5705	2.5612	2.5676	-1.8	2.5754	-1.8	2.5977	-1.3	-
Philippines	(Peso)	40.4278	-0.0577	322 - 233	40.8855	40.0320	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7760	-0.008	742 - 778	5.7838	5.7662	-	-	-	-	-	-	-
Singapore	(S$)	2.3199	-0.0036	185 - 212	2.3233	2.3167	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5236	-0.0037	198 - 273	5.5274	5.5112	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9844	-0.0331	671 - 016	7.0128	6.9572	-	-	-	-	-	-	-
South Korea	(Won)	1242.25	-0.54	131 - 318	1243.32	1239.53	-	-	-	-	-	-	-
Taiwan	(T$)	40.7792	-0.0617	668 - 917	40.8370	40.7122	-	-	-	-	-	-	-
Thailand	(Bt)	38.5487	-0.0243	233 - 741	38.5680	38.4840	-	-	-	-	-	-	-

†SDR rate for Aug 15. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.9575	+0.0375	550 - 600	10.9700	10.9360	10.9577	0.0	10.9576	0.0	10.8725	0.8	104.8
Belgium	(BFr)	32.0760	+0.066	620 - 900	32.1400	32.0000	32.101	-0.9	32.146	-0.9	32.231	-0.5	106.2
Denmark	(DKr)	6.1803	+0.0181	775 - 830	6.1894	6.1538	6.1913	-2.1	6.2116	-2.0	6.2753	-1.5	105.9
Finland	(FM)	5.1666	+0.0178	616 - 716	5.1716	5.1499	5.1716	-1.2	5.1866	-1.5	5.2666	-1.9	77.4
France	(FFr)	5.3365	-0.0035	360 - 370	5.3542	5.3335	5.3407	-0.9	5.3469	-0.8	5.3095	0.5	106.7
Germany	(D)	1.5552	+0.0019	548 - 555	1.5592	1.5523	1.5555	-0.2	1.5555	-0.1	1.5482	0.5	107.7
Greece	(Dr)	235.750	+0.35	600 - 900	236.400	235.400	236.09	-1.7	236.85	-1.9	239.9	-1.8	66.8
Ireland	(I£)	1.5211	+0.0003	203 - 218	1.5244	1.5145	1.5194	1.3	1.5156	1.4	1.4981	1.5	-
Italy	(L)	1591.80	+1.35	130 - 230	1596.15	1589.70	1597.85	-4.6	1609.65	-4.5	1667.3	-4.7	75.0
Luxembourg	(LFr)	32.0760	+0.066	620 - 900	32.1400	32.0000	32.101	-0.9	32.146	-0.9	32.231	-0.5	106.2
Netherlands	(Fl)	1.7469	+0.003	465 - 473	1.7510	1.7440	1.7472	-0.2	1.7466	0.1	1.7406	0.4	106.0
Norway	(NKr)	6.8519	+0.019	509 - 529	6.8660	6.8306	6.8574	-1.0	6.8719	-1.2	6.7844	1.0	96.8
Portugal	(Es)	159.600	+0.1	500 - 700	160.040	159.500	160.685	-8.2	162.425	-7.1	168.85	-5.8	95.2
Spain	(Pta)	129.845	-0.055	820 - 870	130.100	129.850	130.205	-3.3	130.86	-3.1	133.305	-2.7	80.7
Sweden	(SKr)	7.8436	+0.0985	398 - 473	7.8584	7.7730	7.8711	-4.2	7.9161	-3.7	8.1436	-3.8	78.9
Switzerland	(SFr)	1.3046	+0.0002	042 - 050	1.3090	1.3025	1.3041	0.5	1.303	0.5	1.2914	1.0	107.5
UK	(£)	1.5401	-0.0022	397 - 405	1.5423	1.5375	1.5396	0.4	1.5378	0.6	1.5263	0.9	86.9
Ecu	-	1.2213	-0.0023	205 - 220	1.2235	1.2193	1.2199	1.3	1.2177	1.2	1.2311	-0.8	-
SDR†	-	1.45614	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9992	-	991 - 992	0.9992	0.9991	-	-	-	-	-	-	-
Brazil	(R)	0.8960	-0.002	950 - 970	0.8970	0.8940	-	-	-	-	-	-	-
Canada	(C$)	1.3810	+0.0012	807 - 812	1.3826	1.3807	1.382	-0.9	1.3843	-1.0	1.4015	-1.5	82.6
Mexico	(New Peso)	3.4060	+0.006	040 - 080	3.4080	3.4040	3.407	-0.4	3.4088	-0.3	3.4162	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3482	-0.0011	477 - 486	1.3545	1.3468	1.3485	-0.2	1.3492	-0.3	1.3585	-0.8	87.6
Hong Kong	(HK$)	7.7279	-0.0001	274 - 284	7.7284	7.7270	7.7277	0.0	7.7284	0.0	7.7434	-0.2	-
India	(Rs)	31.3688	-0.0012	650 - 725	31.3725	31.3650	31.4538	-3.3	31.5988	-2.9	-	-	-
Japan	(Y)	100.425	+0.16	400 - 450	100.710	100.100	100.205	2.6	99.745	2.7	97.3	3.1	148.6
Malaysia	(M$)	2.5605	-0.001	600 - 610	2.5695	2.5535	2.5513	4.3	2.54	3.2	2.6135	-2.1	-
New Zealand	(NZ$)	1.6646	+0.0091	639 - 653	1.6672	1.6639	1.6655	-0.7	1.6674	-0.7	1.6727	-0.5	-
Philippines	(Peso)	26.2500	-	000 - 000	26.6000	26.0000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	+0.0001	502 - 506	3.7506	3.7502	3.7517	-0.4	3.7558	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.5063	-0.0002	058 - 068	1.5068	1.5058	1.505	1.1	1.5031	0.9	1.4963	0.7	-
S Africa (Com.)	(R)	3.5865	+0.0027	850 - 880	3.5900	3.5805	3.602	-5.2	3.6303	-4.9	3.707	-3.4	-
S Africa (Fin.)	(R)	4.5350	-0.015	250 - 450	4.5550	4.5200	4.5687	-8.9	4.6275	-8.2	-	-	-
South Korea	(Won)	806.600	+0.8	200 - 000	807.000	806.000	809.6	-4.5	813.1	-3.2	831.6	-3.1	-
Taiwan	(T$)	26.4783	-0.0022	770 - 795	26.4820	26.4770	26.4983	-0.9	26.5383	-0.9	-	-	-
Thailand	(Bt)	25.0300	+0.02	200 - 400	25.0400	25.0200	25.1025	-3.5	25.23	-3.2	25.71	-2.7	-

†SDR rate for Aug 15. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 15. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 16		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.27	16.64	4.848	2.049	4962	5.445	21.36	497.6	404.7	24.43	4.067	2.024	4.304	3.117	313.0	2.553
Denmark	(DKr)	51.90	10	8.634	2.516	1.063	2575	2.826	11.08	258.2	210.0	12.68	2.111	1.051	2.234	1.618	162.4	1.325
France	(FFr)	60.11	11.58	10	2.914	1.231	2982	3.273	12.84	299.1	243.2	14.69	2.445	1.217	2.587	1.874	188.1	1.534
Germany	(DM)	20.63	3.974	3.431	1	0.423	1023	1.123	4.405	102.6	83.47	5.040	0.839	0.418	0.888	0.643	64.55	0.527
Ireland	(I£)	48.61	9.405	8.121	2.367	1	2422	2.658	10.42	242.9	197.5	11.93	1.985	0.988	2.101	1.522	152.8	1.246
Italy	(L)	2.016	0.388	0.335	0.098	0.041	100.	0.110	0.430	10.03	8.156	0.492	0.082	0.041	0.087	0.063	6.308	0.051
Netherlands	(Fl)	18.36	3.538	3.055	0.890	0.376	911.2	1	3.922	91.38	74.31	4.487	0.747	0.372	0.790	0.572	57.47	0.469
Norway	(NKr)	46.82	9.022	7.790	2.270	0.959	2323	2.550	10	233.0	189.5	11.44	1.904	0.948	2.015	1.460	146.5	1.195
Portugal	(Es)	20.10	3.872	3.343	0.974	0.412	997.2	1.094	4.292	100.	81.33	4.910	0.817	0.407	0.865	0.627	62.90	0.513
Spain	(Pta)	24.71	4.761	4.111	1.198	0.506	1226	1.346	5.278	123.0	100.	6.038	1.005	0.500	1.064	0.770	77.34	0.631
Sweden	(SKr)	40.93	7.886	6.809	1.984	0.838	2031	2.229	8.741	203.6	165.6	10	1.664	0.829	1.761	1.276	128.1	1.045
Switzerland	(SFr)	24.59	4.738	4.091	1.192	0.504	1220	1.339	5.251	122.3	99.50	6.006	1	0.498	1.058	0.767	76.95	0.628
UK	(£)	49.40	9.518	8.218	2.395	1.012	2451	2.690	10.55	245.8	199.9	12.07	2.009	1	2.126	1.540	154.6	1.261
Canada	(C$)	23.24	4.477	3.865	1.127	0.476	1153	1.265	4.962	115.6	94.03	5.677	0.945	0.470	1	0.724	72.72	0.593
US	($)	32.08	6.181	5.336	1.555	0.657	1592	1.747	6.851	159.6	129.8	7.838	1.305	0.649	1.381	1	100.4	0.819
Japan	(Y)	319.5	61.57	53.16	15.49	6.546	15854	17.40	68.24	1590	1293	78.07	12.99	6.468	13.75	9.961	1000.	8.157
Ecu		39.18	7.548	6.517	1.899	0.803	1944	2.133	8.366	194.9	158.5	9.572	1.593	0.793	1.686	1.221	122.6	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6441	0.6421	-0.0020	0.6444	0.6412	22,050	98,093
Dec	0.6422	0.6422	-0.0021	0.6426	0.6419	420	6,603
Mar	-	0.6453	-	-	-	62	1,612

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7677	0.7661	-0.0015	0.7683	0.7648	12,886	44,678
Dec	0.7672	0.7670	-0.0015	0.7679	0.7666	160	1,749
Mar	-	0.7711	-	-	-	13	46

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.0010	0.9972	-0.0041	1.0017	0.9955	9,534	63,078
Dec	1.0040	1.0041	-0.0043	1.0041	1.0030	199	6,914
Mar	-	1.0162	-	-	-	10	1,125

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5400	1.5378	-0.0036	1.5414	1.5368	4,455	32,733
Dec	1.5370	1.5360	-0.0026	1.5370	1.5350	30	854
Mar	1.5324	1.5324	-0.0032	1.5324	1.5322	2	154

EMS EUROPEAN CURRENCY UNIT RATES

Aug 16	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14357	+0.00034	-2.42	5.86	-
Belgium	40.2123	39.3546	+0.0014	-2.13	5.54	16
Germany	1.94964	1.90879	+0.00047	-2.10	5.50	-
Ireland	0.808628	0.806134	-0.001701	-0.31	3.60	2
France	6.53883	6.55246	+0.00137	0.21	3.07	-2
Portugal	192.854	195.863	-0.252	1.56	1.70	-10
Denmark	7.43679	7.58064	+0.01101	1.93	1.32	-13
Spain	154.250	159.317	-0.062	3.28	0.00	-23
NON ERM MEMBERS						
Greece	264.513	289.178	-0.78	9.32	-5.52	-
Italy	1793.19	1953.27	-3.03	8.93	-5.18	-
UK	0.786749	0.796487	+0.000016	1.24	2.02	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	Oct	Nov	PUTS Sep	Oct	Nov
1.450	8.62	8.55	8.61	-	0.05	0.20
1.475	6.15	6.31	6.49	0.01	0.24	0.52
1.500	3.67	4.25	4.58	0.22	0.66	1.08
1.525	2.03	2.56	3.00	0.79	1.45	1.97
1.550	0.80	1.40	1.86	2.06	2.67	3.21
1.575	0.24	0.66	1.05	3.90	4.41	4.86

Previous day's vol., Calls 4,700 Puts 4,726 . Prev. day's open int., Calls 541,687 Puts 420,289

WORLD INTEREST RATES

MONEY RATES

August 16	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4¾	5⅛	5⅞	6	6¼	7.40	4.50	-
week ago	4⅞	5⅛	5¼	5¾	6⅛	7.40	4.50	-
France	5⅜	5⅜	5⅞	6	6⅝	5.00	-	6.75
week ago	5⅜	5⅜	5½	5¾	6⅛	5.00	-	6.75
Germany	4.88	5.00	5.00	5.05	5.25	6.00	4.50	4.85
week ago	5.14	5.00	4.95	4.95	5.10	6.00	4.50	4.85
Ireland	5	5¾	5⅞	6⅜	6¾	-	-	6.25
week ago	5	5¾	5⅞	6⅜	6¾	-	-	6.25
Italy	8½	9	9⅛	9⅞	10¼	-	7.50	8.20
week ago	8½	9	8¾	8⅞	9½	-	7.00	8.20
Netherlands	4.85	4.95	4.96	5.12	5.40	-	5.25	-
week ago	4.85	4.95	4.97	5.05	5.28	-	5.25	-
Switzerland	4	4¼	4¾	4⅝	4¾	6.625	3.50	-
week ago	4	4¼	4¾	4½	4⅞	6.625	3.50	-
US	4½	4⅞	5⅜	5⅜	5⅞	-	4.00	-
week ago	4⅝	4⅞	4⅞	5¼	5¾	-	3.50	-
Japan	2⅛	2⅜	2⅜	2¾	2⅞	-	1.75	-
week ago	2⅛	2⅜	2⅜	2½	2¾	-	1.75	-

■ $ LIBOR FT London

	Over night	One month	Three mths	Six mths	One year
Interbank Fixing	-	4⅞	5	5⅝	5⅞
week ago	-	4¾	5	5⅜	5⅞
US Dollar CDs	-	4.58	4.86	5.09	5.62
week ago	-	4.58	4.78	5.10	5.64
SDR Linked Ds	-	3⅝	3¾	3⅞	4
week ago	-	3⅝	3¾	3⅞	4

ECU Linked Ds mid rates: 1 mth: 5⅜; 3 mths: 5½; 6 mths: 6⅜; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 16	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.08	94.14	+0.08	94.15	94.08	12,126	44,896
Dec	93.73	93.78	+0.07	93.77	93.70	15,946	40,380
Mar	93.45	93.48	+0.04	93.50	93.44	6,541	30,360
Jun	93.22	93.23	+0.03	93.24	93.20	2,892	28,400

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		94.86	0.02			0	3090
Dec		94.15	0.02			0	1944
Mar		93.90	0.03			0	1461
Jun		93.56	0.03			0	354

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.00	95.03	+0.03	95.05	95.00	10351	157390
Dec	94.81	94.84	+0.02	94.87	94.80	16464	170246
Mar	94.54	94.54	+0.01	94.57	94.53	12238	160091
Jun	94.19	94.21	+0.03	94.23	94.19	6369	100897

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	89.64	89.84	+0.06	90.01	89.63	10058	23390
Dec	89.45	89.36	-0.01	89.58	89.35	7361	47384
Mar	89.07	88.97	-0.02	89.17	88.97	2334	14036
Jun	88.75	88.56	-0.01	88.77	88.57	915	12647

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.54	95.59	+0.06	95.59	95.54	1081	25936
Dec	95.33	95.38	+0.05	95.39	95.33	1909	13536
Mar	95.15	95.16	+0.02	95.18	95.13	140	11157
Jun	94.85	94.83	+0.05	94.86	94.81	82	5205

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.74	93.75	+0.02	93.76	93.74	377	10657
Dec	93.45	93.45	+0.03	93.46	93.45	371	7850
Mar	93.14	93.14	+0.03	93.16	93.14	403	4347
Jun	92.83	92.84	+0.01	92.84	92.83	18	1273

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.84	94.84	-0.01	94.85	94.83	89,444	420,871
Dec	94.14	94.13	-0.01	94.15	94.12	70,405	466,966
Mar	93.88	93.88	-	93.89	93.86	29,162	333,384

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	95.22	95.23	-	95.23	95.22	2,381	17,579
Dec	94.66	94.65	-0.01	94.66	94.65	402	9,560
Mar	-	94.37	-0.02	-	-	4	3,812

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	Oct	Nov	Dec	PUTS Sep	Oct	Nov	Dec
9500	0.10	0.07	0.11	0.13	0.07	0.23	0.27	0.29
9525	0.02	0.02	0.05	0.05	0.24	0.43	0.46	0.47
9550	0	0	0.02	0.03	0.47	0.66	0.68	0.70

Est. vol. total, Calls 3157 Puts 3586. Previous day's open int., Calls 246678 Puts 164154

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9550	0.13	0.13	0.20	0.04	0.25	0.54
9575	0.04	0.05	0.12	0.20	0.43	0.71
9600	0.01	0.02	0.07	0.42	0.64	0.81

Est. vol. total, Calls 100 Puts 0. Previous day's open int., Calls 1805 Puts 1815

UK INTEREST RATES

LONDON MONEY RATES

Aug 16	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 4¼	5 - 4$\frac{13}{16}$	5⅛ - 5	5$\frac{11}{16}$ - 5$\frac{9}{16}$	6⅛ - 6	6$\frac{13}{16}$ - 6$\frac{12}{16}$
Sterling CDs	-	-	5$\frac{1}{32}$ - 5$\frac{1}{32}$	5$\frac{9}{16}$ - 5$\frac{7}{16}$	6$\frac{1}{16}$ - 5$\frac{15}{16}$	6$\frac{13}{16}$ - 6$\frac{11}{16}$
Treasury Bills	-	-	5 - 4⅞	5½ - 5⅜	-	-
Bank Bills	-	-	5 - 4$\frac{15}{16}$	5⅝ - 5½	5⅞ - 5¾	-
Local authority deps.	4$\frac{13}{16}$ - 4$\frac{11}{16}$	4⅞ - 4¾	5⅛ - 5	5⅝ - 5½	6⅛ - 6	6⅞ - 6¾
Discount Market deps	5¼ - 4½	4⅞ - 4¾	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¼	3¼	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.3747pc. ECGD fixed rate Stlg. Export Finance. Make up day July 29, 1994. Agreed rate for period Aug 24, 1994 to Sep 25, 1994, Schemes II & III 6.50pc. Reference rate for period July 1, 1994 to July 29, 1994, Schemes IV & V 6.2460pc. Finance House Base Rate 5½pc from Aug 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.60	94.60	-0.04	94.66	94.60	11181	96255
Dec	93.21	93.23	-0.04	93.27	93.20	19699	160280
Mar	92.83	92.83	-0.04	92.88	92.80	[illegible]	[illegible]
Jun	92.12	92.12	-0.03	92.15	92.12	782	51312

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9400	0.19	0.08	0.06	0.16	0.85	1.43
9425	0.06	0.03	0.03	0.30	1.05	1.65
9450	0.02	0	0.02	0.49	1.28	1.89

Est. vol. total, Calls [illegible] Puts 7587. Previous day's open int., Calls 337082 Puts 258154

BASE LENDING RATES

Adam & Company	5.25	Duncan Lawrie	5.25
Allied Trust Bank	5.25	Exeter Bank Limited	[illegible]
AIB Bank	5.25	Financial & Gen Bank	[illegible]
Henry Ansbacher	5.25	Robert Fleming & Co	5.25
Bank of Baroda	5.25	Girobank	5.25
Banco Bilbao Vizcaya	5.25	Guinness Mahon	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25
Bank of Ireland	5.25	Hambros Bank	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25
Bank of Scotland	5.25	C. Hoare & Co	5.25
Barclays Bank	5.25	Hongkong & Shanghai	5.25
Brit Bk of Mid East	5.25	Julian Hodge Bank	5.25
Brown Shipley & Co Ltd	5.25	Leopold Joseph & Sons	5.25
CL Bank Nederland	5.25	Lloyds Bank	5.25
Citibank NA	5.25	Meghraj Bank Ltd	5.25
Clydesdale Bank	5.25	Midland Bank	5.25
The Co-operative Bank	5.25	Mount Banking	[illegible]
Coutts & Co	5.25	NatWestminster	5.25
Credit Lyonnais	5.25		
Cyprus Popular Bank	5.25		

[illegible] Guarantee Corporation Limited is no longer authorised as a banking institution.
Royal Bk of Scotland 5.25; Smith & Williamson Secs 5.25; TSB 5.25; United Bk of Kuwait 5.25; Unity Trust Bank Plc 5.25; Western Trust 5.25; Whiteaway Laidlaw 5.25; Yorkshire Bank 5.25
● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 16 / Sch)

BELGIUM/LUXEMBOURG (Aug 16 / Frs.)

DENMARK (Aug 16 / Kr)

FINLAND (Aug 16 / Mka)

FRANCE (Aug 16 / Frs.)

GERMANY (Aug 16 / Dm.)

ITALY (Aug 16 / Lire)

NETHERLANDS (Aug 16 / Fls.)

NORWAY (Aug 16 / Kroner)

SPAIN (Aug 16 / Pts.)

SWEDEN (Aug 16 / Kronor)

SWITZERLAND (Aug 16 / Frs.)

PACIFIC

JAPAN (Aug 16 / Yen)

AUSTRALIA (Aug 16 / Aust$)

HONG KONG (Aug 16 / H.K.$)

MALAYSIA (Aug 15 / MYR)

SINGAPORE (Aug 16 / S$)

NORTH AMERICA

CANADA

TORONTO (Aug 16 / Can $) 4 pm close

MONTREAL (Aug 16 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Aug 16 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, August 16, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	14.9m	375	+3	Sumitomo Mtl	4.7m	326	+7
NKK	13.7m	2888	+3	Kawasaki Steel	4.5m	422	+4
Kobe Steel	8.7m	327	+7	UBE Inds	4.1m	42m4	+5
Mitsubishi Oil	6.6m	1180		Mitsubishi Kasei	3.2m	557	+7
Sumitomo Chem	6.3m	572	+18	Teijin	3.1m	600	+5

INDICES

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Aug	2026.0	2014.0	-5.0	2036.0	2014.0	-	24,107
Sep	2034.0	2021.5	-5.0	2042.5	2024.0	403	27,651
Dec	2054.5	2050.5	-5.0	2054.5	2054.5	3	1,100

Open interest figures for previous day.

** Sat Aug 13: Taiwan Weighted Price 6563.91; Korea Comp Ex (c). Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall: Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. 55 Montreal. ♦ Toronto (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 16 - 2152.65 +18.31

US INDICES

Dow Jones	Aug 15	Aug 12	Aug 11	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3760.29	3768.71	3750.90	3978.36 (31/1)	97.84 (28/7)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.77	97.92	97.83	106.61 (21/1)	96.43 (13/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1602.21	1600.60	1592.09	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	188.11	188.97	187.65	227.86 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3798.17 (3792.66) Low 3742.16 (3738.27) (Theoretical♠)
Day's high 3781.38 (3773.89) Low 3760.29 (3750.25) (Actual♠)

Standard and Poors	Aug 15	Aug 12	Aug 11	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	461.23	461.94	458.88	482.00 (2/2)	438.92 (4/4)	534.19 (29/7/94)	4.40 (1/6/32)
Industrials♥	537.75	538.40	534.78	560.59 (2/2)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	45.45	45.53	45.08	48.94 (14/6)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	254.52	254.77	253.31	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	443.32	443.70	443.25	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	732.89	731.61	728.20	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Aug 12	Aug 5	Jul 29	Year ago
Dow Jones Ind. Div. Yield	2.70	2.72	2.72	2.86
	Aug 10	Aug 3	Jul 27	Year ago
S & P Ind. Div. yield	2.43	2.42	2.45	2.52
S & P Ind. P/E ratio	23.51	23.55	23.13	25.14

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Sep	461.85	462.25	+0.20	462.30	461.50	37,431	196,918
Dec	-	464.60	-	-	-	2,130	20,491
Mar	-	467.95	-	-	-	258	4,026

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Merck	4,484,100	33	+¼
Gen Elec	3,161,400	48½	+⅛
Syntex	2,561,200	21⅞	+⅛
Telefonos	2,167,400	63¾	+¼
Wal-Mart	2,096,400	23⅝	-⅛
Coca Cola	2,008,200	44⅛	-⅛
Ford Motor	1,836,900	29⅝	+⅛
John & John	1,792,000	49⅝	+⅜
Heinz	1,698,000	36⅝	-⅛
RJR Nabisco	1,693,500	6¼	+⅛

■ TRADING ACTIVITY

● Volume (million)	Aug 15	Aug 12	Aug 11
New York SE	223.181	249.200	275.677
Amex	11.583	13.840	18.484
NASDAQ	224.385	239.469	303.411
NYSE			
Issues Traded	2,856	2,824	2,831
Rises	1,050	1,235	727
Falls	1,043	818	1,383
Unchanged	763	771	721
New Highs	38	30	28
New Lows	49	45	71

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close August 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅜	13⅜	AAR	0.48	3.3	487	41	14⅝	14⅜	14⅝	+⅛
16⅞	12⅞	A L Labs A	0.18	1.3	32	216	14¼	13⅞	13⅞	
75¼	57⅝	AMP x	1.88	2.3	26	803	73¾	73⅛	73¾	+½
72¾	52⅛	AMR			98	3846	56⅞	56¼	56¼	-⅜
5	3⅜	ARX			13	94	4	3⅞	4	+⅛
58⅛	38⅝	ASA x	2.00	4.4	29	671	45¾	45⅛	45¼	-⅜
31⅜	25⅜	AbbotL	0.76	2.5	17	21058	30⅜	29⅛	30¼	+1½
13¾	11⅜	AbtRd Pr	0.50	3.8	9	z100	13	13	13	
23⅝	17¾	ABM Ind	0.52	2.3		53	22½	22⅛	22½	+⅜
14⅛	11⅛	Acpincain			25	214	14⅛	13⅞	14	-¼
31	22¾	ACE Ltd	0.44	1.9	3	609	23⅝	23½	23½	-⅛
12½	10⅛	ACM Gvt In	1.09	10.3		604	10⅝	10⅝	10⅝	+⅛
10⅛	7⅞	ACM GvOpp	0.80	10.1		20	8	d7½	7⅞	-⅛
10⅝	7⅝	ACM Gvt Sp	0.96	12.6		377	7¾	d7⅝	7⅝	-⅛
12	8⅞	ACM Gvt Se	1.09	12.2		574	9⅛	9	9	+⅛
11¾	8⅜	ACM Man	1.08	12.7		555	8⅝	8½	8½	+⅛
9¼	8	ACM Managd	0.72	8.9		25	8⅛	d8	8⅛	
15½	8¾	AcmeClv x	0.44	3.9	14	422	11⅜	11	11⅜	+⅛
9⅞	6½	Acme Elect			7	30	9	8⅞	9	+⅛
28¾	23	Acordia	0.60	2.3	13	14	25¾	25⅝	25¾	+¼
11	5¾	Actava	0.36	3.6	3	3412	10¼	9½	9⅞	-⅜
15⅝	11¼	Acuson			99	364	13	12½	12⅞	+¼
18⅜	16½	Adams Expr x	0.48	2.8	0	148	17⅜	17¼	17¼	+¼
64	48½	Ad Micro	3.00	5.2		205	58⅛	57⅞	58	-⅜
[illegible]										

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S -

[illegible]

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4 pm close August 16

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		Continued from previous page								
30¼	25	StJosL&P	1.80	6.7	13	15	26⅞	26⅞	26⅞	-⅛
45	37¾	StPaul	1.50	3.4	4	1654	44¼	43⅞	44¼	+⅛
9⅛	5	Salant Crp			7	351	6⅛	5⅞	5⅞	
49⅞	32⅝	Sallie Mae	1.40	4.1	7	12413	35⅝	34½	34½	+¼
13⅞	11⅞	Salomon Br	0.32	2.5		337	12¾	12½	12¾	+⅛
52¾	41½	Salomn	0.64	1.5	5	1660	43¼	42½	43⅛	
25	17½	SnDgGE	1.52	7.6	10	443	20	19¾	19⅞	-⅛
10	7½	SantaFeERs	0.16	1.7	9	299	9⅝	9⅜	9⅝	+¼
15⅛	13½	SFeGd				2077	14½	14⅜	14½	+⅛
40	31½	SantaFePac	2.80	8.2	16	63	34⅝	33⅞	34¼	
28¼	18½	SanFeP	0.10	0.5	11	9749	20⅛	19⅞	20	
26	19⅝	SaraLee	0.64	2.8	15	7307	22⅞	22½	22¾	+⅛
50⅛	42⅛	Scana Corp	2.82	6.2	12	272	45⅜	45⅛	45½	
20½	12½	Scecrp	1.00	7.3	9	3650	13⅝	13⅜	13⅝	+¼
40½	31¾	SchererRP			28	373	37½	37¼	37⅜	-⅛
70	54½	SchrPl	2.04	2.9	16	10588	u71¾	68⅝	71½	+2⅝
63	50¾	Schlmb	1.20	2.1	24	1533	58⅜	57⅜	57¾	-½
33⅞	23¾	Schwab(C)	0.28	1.0	13	3049	28⅜	27	28¼	+⅞
10¾	6⅛	Schwitzer			24	105	9	8½	8½	-⅞
40	24⅞	SciAtl	0.12	0.3	80	2081	u40⅜	39¾	40⅛	+⅛
16⅞	13	Scotman	0.10	0.7	14	2045	15¼	14⅞	15¼	+½
62½	37¼	ScottP x	0.80	1.3	17	7131	u63¼	62⅛	63¼	+1⅛
28⅝	18⅝	ScuddrNAsF	0.21	0.9		55	23⅞	23⅝	23¾	+⅛
12⅞	9½	ScuddrNEuF	0.16	1.6		53	10¼	10⅛	10¼	+⅛
18¼	13½	SeaCnt	0.70	4.3	8	14	16⅜	16	16⅜	+⅛
16½	14⅞	SeaC1.4625	1.46	9.1		z100	16	16	16	

AMEX COMPOSITE PRICES

4 pm close August 16

NASDAQ NATIONAL MARKET

4 pm close August 16

AMERICA

Dow climbs on rate rise of 50 points

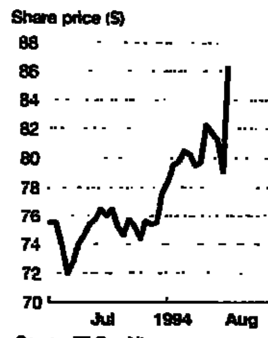
Wall Street

US share prices struggled to keep pace with a rising bond market yesterday morning, as investors jockeyed for position ahead of an expected tightening of monetary policy which was confirmed just after mid-session, *writes Frank McGurty in New York.*

By 1.20 pm, after the news was released, the Dow Jones Industrial Average was 13.60 higher at 3,773.89.

In trading ahead of the announcement the more broadly based Standard & Poor's 500 was 1.75 better at 462.98. Volume on the Big Board was moderate, with 160m shares exchanged by early afternoon. Secondary markets lagged behind the New York SE – the American SE composite was 1.02 lower at 442.30 and the Nasdaq composite slipped 0.57 to 732.32.

Hewlett Packard



Source: FT Graphite

As Federal Reserve officials gathered for a policy-making session in Washington, most analysts expected a move to raise short-term interest rates. Equity investors appeared uncertain about how a rate increase would affect stocks, the only consensus being that the market would fall if policy was left unchanged.

As a consequence, most of the leading indices were hovering close to their opening values for most of the morning.

Earlier in the session, equities showed improvement – a response to a solid upturn in bond prices. However, the advance by Treasuries mostly reflected technical positioning in the hours before the Fed announcement, undercutting stocks' forward momentum.

Among the economically sensitive Dow industrial components, Caterpillar climbed $1½ to $107¾. Its rise accounted for much of the index's modest gain.

Alcoa dipped $⅞ to $76⅞ and Bethlehem Steel was $½ lower at $21.

While investors awaited the news from Washington, a host of fresh earnings reports provided a welcome distraction.

Hewlett-Packard, the California-based computer maker, surged $7¼, or 9 per cent, to $86¼ after producing strong third-quarter results.

However, its robust performance failed to trigger broadly based buying in the technology sector. IBM shed $¼ to $64¼, while Lotus Development fell victim to profit-taking, giving back $1 to $43½ after several strong outings.

An exception was Micron Technology, which climbed $1 to $43⅜ on an upgrade from Piper Jaffray.

Several leading retailers also released quarterly results, and the reception from investors was generally favourable.

Home Depot jumped $2 to $43⅞ on news of the do-it-yourself chain's continued growth. Dayton Hudson advanced $1⅝ to $85¼ after revealing details of a strong quarter.

Wal-Mart's results lacked surprises, yet the issue added $⅝ at $24¼.

Toys R Us was marked up $1 to $34¾ in heavy volume of 1.5m shares after Ladenbury Thalmann placed the stock on its "buy" list.

Among the disappointments, JC Penney was marked down $1⅝ to $47¼, even though its second-quarter net income of 41 cents was well above its year-earlier result.

Pepsico gained $1⅛ at $32¼ after announcing the resumption of its stock repurchase programme.

Canada

Toronto stocks were listless as the market awaited news from the US on the outcome of the FOMC meeting.

At midsession the TSE-300 index was down 3.33 at 4,166.40 in volume of 32.4m shares valued at C$411.9m. Declines led advances by 360 to 208, with 300 issues unchanged.

Gold shares suffered the heaviest losses, shedding 1.1 per cent in the sub-index.

Brazil

Equities in São Paulo fell back from early highs by midsession, although the Bovespa index remained up 358, or 0.7 per cent, at 46,868. Brokers said that the overall tone remained positive.

Turnover at midday was R$216m.

Eletrobras preferred were in demand, the shares rising by 2 per cent to R$312.

Venezuela

Share prices in Caracas made sharp gains following Monday's holiday closure, although volume was reported as low.

The composite index added 4.92, or 3.6 per cent, at 140.75 as turnover fell to 324m bolivars from Friday's 459 bolivars.

Electricidad de Caracas moved ahead 11.60 bolivars to 341.10 bolivars.

EUROPE

Frankfurt, Zurich speculate on FOMC meeting

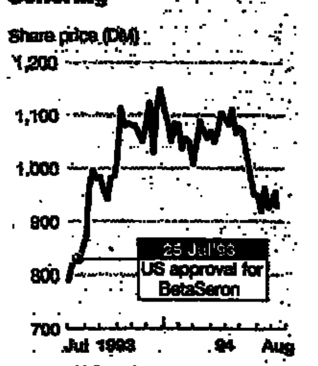
With any decision on US interest rates from the FOMC in Washington consigned to the American afternoon, bourses could only speculate on the result, *writes Our Markets Staff.*

FRANKFURT had its fun in the post bourse as the September bund future took a view on the Washington meeting, and jumped 44 basis points to 91.99 on the proposition that the Fed would impose a 50-point rate rise later in the US day, a forecast that was later confirmed.

After a rise of just 4.30 to 2,143.14 in the Dax on the session, the post bourse saw an Ibis-indicated peak of 2,158.13 before it closed at 2,152.65. However, Ms Barbara Altmann at B Metzler in Frankfurt, said there was little trading as investors bided their time ahead of the FOMC decision; short-covering, she added, took the Dax constituents up in the afternoon.

Turnover rose from DM5.1bn to DM6.6bn. Schering, the pharmaceuticals group, dropped DM42.50 to DM915 as it said that two of its drugs were under examination, and regained only DM6 after hours after stating that neither were carcinogenic and calling a press conference for tomorrow morning to elaborate.

Schering



Source: FT Graphite

Construction stocks were strong, Strabag rising DM17.50 to DM510.50 on a 20 per cent increase in orders in the first half of 1994. In chemicals, BASF rose DM4.90 to DM327.20 as its Wintershall subsidiary forecast a profit from its gas operations in 1995, a year earlier than originally planned.

AMSTERDAM recovered all of Monday's losses, helped by good gains in a number of the blue chips. The AEX index improved 1.89 to 417.07.

FT-SE Actuaries Share Indices

Aug 16							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1357.07	1354.78	1355.47	1356.21	1354.05	1354.42	1357.89	1358.59
FT-SE Eurotrack 200	1412.34	1410.86	1410.84	1411.02	1410.84	1410.06	1413.38	1414.41

	Aug 15	Aug 12	Aug 11	Aug 10	Aug 9
FT-SE Eurotrack 100	1351.19	1352.33	1376.03	1384.35	1393.35
FT-SE Eurotrack 200	1407.89	1408.39	1425.70	1432.72	1439.26

Base 1000 (26/10/90); High/day: 100 - 1358.59; 200 - 1414.81 Low/day: 100 - 1353.34 200 - 1409.11 † Partial

Unilever rose Fl 3.10 to Fl 199.60, a number of brokers having issued positive reports following last week's results. Among them was James Capel, which reiterated its buy recommendation and remained optimistic about earnings per share growth during 1995 and 1996.

Philips and KPN also saw buying strength as they announced plans to establish a joint venture, together with Graff Pay-Per-View, of the US, to provide a new media service in Europe. Philips put on 30 cents at Fl 58.20 and KPN added 70 cents at Fl 50.50.

Hunter Douglas shed Fl 1.30 to Fl 83.70 as profits were taken following its better than expected results, while Wolters Kluwer added Fl 1.50 at Fl 120.50 after announcing a 23 per cent gain in first-half profits and forecasting 20 per cent growth over the full year.

MILAN returned after Monday's holiday and continued to monitor the political temperature, following last week's unexpected rise in interest rates and a weekend of meetings between coalition partners in Mr Silvio Berlusconi's government. The Comit index closed 9.72 higher at 654.15.

Analysts expect the nervousness to continue, with the 1995 budget due to be presented to parliament before September 30. Among individual performances, Fiat advanced L35 to L6,385, Benetton rose L650 to L22,450 and Olivetti L75 to L2,195.

ZURICH took the Frankfurt line on FOMC prospects and the SMI index rose 18.1 to 2,588.7. Roche certificates and Nestlé were the most active stocks, with gains either side of 1 per cent.

In banks, UBS recovered with a rise of SFr25 to SFr1,112, and SBC bearers rose SFr3 to SFr397 ahead of results which arrived after hours. However, analysts flinched when they saw the figures, which included a 63 per cent drop in first-half trading income, and said that the shares would tumble today.

MADRID fell against the trend, the general index losing 1.71 at ,311.18. Bonds were slightly firmer but most banks were down, with BBV off Pta45 at Pta3,040 and BCH Pta80 at Pta2,665. ADR stocks such as Endesa, Pta50 lower at Pta6,010, and Repsol, down Pta95 at Pta3,930, became less attractive as Wall Street lost its impetus late in the European day.

PARIS drifted higher in a session that was characterised by a lack of corporate news. The CAC-40 index improved 5.40 to 2,012.35 in thin turnover of about FFr2bn.

STOCKHOLM staged a modest recovery as the market reversed three days of losses.

Ericsson, the telecommunications group, provided the main support for the market, but shares in the forestry sector were also strong.

The Affärsvärlden general index was little changed, down 0.3 at 1,400.3, in moderate turnover of SKr2.2bn.

Ericsson B shares rose SKr4 to SKr393 ahead of tomorrow's six-month figures, while Electrolux lost SKr3 at SKr368 in spite of reporting an improvement in half-year results.

TEL AVIV fell another 2 per cent, the Mishtanim index closing 3.74 lower at 183.40 after the Israeli finance minister Mr Avraham Shohat said Israel's 1994 inflation rate would be double digit, revising an official forecast of 8 per cent.

Mr Shohat had more news for the market after hours when he proposed a capital gains tax on share profits, specifically a 10 per cent tax on real profits from share investments. He said that the market would be closed on Wednesday and Thursday to ease the way for his recommendation.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

Hong Kong falls sharply as HSBC drops 3 per cent

Tokyo

Active buying by overseas investors and brokers boosted share prices, and the Nikkei 225 average gained ground in spite of a lack of corporate news, *writes Emiko Terazono in Tokyo.*

The index ended 160.03 firmer at 20,786.36, having opened at the day's low of 20,657.28 and peaked at 20,842.23 in the early afternoon before slipping on small-lot index-linked selling.

Volume recovered from 152m shares to 254m. Foreign and brokerage buying helped, and a rise in Nikkei futures prompted index-linked purchases by arbitrageurs. Many domestic investors were absent due to the Obon holidays, while others remained inactive ahead of yesterday's US Federal Reserve Board's open market committee meeting.

The Topix index of all first section stocks rose 6.30 to 1,658.68, while the Nikkei 300 gained 1.47 at 301.62. Winners led losers by 593 to 334, with 216 issues unchanged. In London the ISE/Nikkei 50 index eased 0.42 to 1,343.90.

Basic material issues, including steels, chemicals and cements, were actively traded. These stocks are seen as beneficiaries of an economic pick-up, and are easily traded due to low share prices.

The three most active issues were steels: Nippon Steel rose Y3 to Y375, NKK Y3 to Y288 and Kobe Steel Y7 to Y327.

Buying also spread to smaller steelmakers, with Hitachi Metals gaining Y50 at Y1,330 and Nippon Metal Industry, the stainless steel maker, rising Y13 to Y468.

Overseas investors supported chemicals. Sumitomo Chemical rose Y6 to a new high for the year of Y572, and Showa Denko added Y4 at Y383.

Banks were higher on arbitrage buying. Sakura Bank moved up Y10 to Y1,420, as did Fuji Bank, to Y2,340. Brokers were also stronger, with Nomura Securities up Y30 to Y2,260 and Nikko Securities Y20 better at Y1,230.

Retailers, which had gained recently on the rise in consumer spending, met profit-taking. Mitsukoshi receded Y10 to Y1,030 and Ito-Yokado lost Y40 at Y5,220.

In Osaka, the OSE average rose 72.22 to 23,065.45 in volume of 32.2m shares.

Roundup

The region awaited yesterday's meeting of the US Federal Reserve for an announcement on a possible rise in US interest rates – a factor which would have an effect on those countries linked to the dollar.

HONG KONG was dragged down by selling of HSBC and Hang Seng Bank following Monday's results, and the Hang Seng index lost 119.51, or 1.26 per cent, to 9,366.62. Turnover remained thin at HK$2.88bn, after HK$2.32bn on Monday.

HSBC dropped HK$3 to HK$89, its turnover accounting for 20 per cent of total market activity. Hang Seng Bank fell HK$2.75 to HK$52.25.

Brokers said HSBC was likely to slip back to the HK$85 to HK88 range before settling at a new support level.

The Hang Seng H share index of Chinese companies slipped 15.92, or 1.2 per cent, to 1,320.97.

BANGKOK rallied on heavy buying in the finance and banking sectors against a background of broad but muted selling. The SET index put on 8.30 at 1,461.71 in high turnover of Bt18.1bn.

The finance sector rose 2 per cent on good earnings reports. Properties slipped on weak results: Bangkok Land lost Bt1 to Bt79.50 and Tanayong fell Bt1.50 to Bt65.00.

KUALA LUMPUR was boosted by an announcement from the central bank that it was to end a ban on swap deals by banks with non-residents in an effort to encourage foreign funds back into the country. The composite index rose 15.38 to 1,108.18 in M$1.9bn turnover.

SINGAPORE gained ground on foreign buying of blue chips. The Straits Times Industrial index added 6.82 at 2,308.57, with 192m shares worth S$518m traded.

Activity was largely concentrated on Malaysian shares listed in Singapore. Brokers noted that the lifting of the ban on swap transactions in Malaysia drew funds back into the market.

SEOUL's composite index shed 4.71 to 939.0 in thin trading, but Samsung Electronics, whose half-year profits tripled, went the day's limit up to this year's high of Won98,900, adding Won2,500.

TAIPEI saw its financial and paper sectors rebound after five consecutive days of falls, and an announcement by the Ministry of Finance that it would inject funds into the banking system to ease the tight liquidity. The weighted index rose 40.3 to 6,583.9 in turnover of T$59.07bn.

SYDNEY ended at its lowest closing level in more than a month as nervousness about the likelihood of a rise in US interest rates continued to take its toll. The All Ordinaries index fell 15.7 to 2,040.0 in turnover of A$339.3m.

BHP declined 22 cents to a three-week low of A$19.22. Bunnings held at A$10.50 after the diversified hardware group said it expected a continued earnings improvement following a 63 per cent increase in annual profits.

WELLINGTON lost ground on profit-taking after a post by-election rally at the start of the week. The NZSE-40 capital index ended 14.67 down at 2,082.97 in NZ$40.4m turnover.

Fletcher Challenge, in particular, was singled out for profit-taking after a strong six months' run, ending 11 cents cheaper at NZ$3.93.

KARACHI's KSE index shed 23.99 to 2,247.06 as financials and high-priced stocks fell back, and investors squared positions on settlement day.

SRI LANKA remained steady in thin election day trading. The composite index rose a marginal 4.6 to 1018.4.

Baring strategist bullish on Manila

Manila's composite index is expected to hit 3,250 by the end of September after its recent spurt through the 3,000 level, *Reuter reports from Manila.*

In the August issue of Tiger Talk from Baring Securities, the broker's director for Asian strategy Mr Alan Butler-Henderson forecast the climb to 3,250 and said that the composite could regain its previous high of 3,300 by December, rising to 3,600 in March 1995.

Mr Butler-Henderson said the Philippine stock market could be Asia's next darling, with a buoyant economy and good corporate fundamentals underpinning its growth.

He added that the local market had managed to hold up extremely well, even through the difficult times of the last six months, when a major correction occurred.

Baring noted concerns about the profits outlook for the index heavyweight Philippine Long Distance Telephone (PLDT), but said this was outweighed by strong capital inflows, firming economic growth, declining interest rates and positive corporate news.

The market shrugged off early profit-taking yesterday to close higher on aggressive buying, the composite index climbing 5.65 to 3,011.6 for a 7.6 per cent advance since the end of July.

De Beers falls on results

De Beers fell heavily in Johannesburg after the diamond group reported disappointing half-year results, and its shares lost R2.75 at R109.50. Brokers said that the results were worse than expected and forecast that the shares could move lower.

The market was generally softer, although activity remained muted and volume was low for the second consecutive session.

The overall index declined 26 to 5,763, industrials shed 11 to 6,569 and the gold shares index dipped 16 to 2,110.

Anglos eased 50 cents to R251.50 and Johnnies receded R1 to R110, but Gold Fields edged up 25 cents to R126.25 following improved annual results. Among gold issues, Western Areas added 50 cents at R64 and Vaal Reefs retreated R2 to R390.

Elsewhere, Iscor put on 3 cents at R4.03, but Highveld Steel slipped back 25 cents to R32 after recent gains, while Barlows relinquished R1 to finish at R32.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY AUGUST 15 1994								FRIDAY AUGUST 12 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	174.27	0.1	167.53	110.45	140.73	156.38	0.2	3.52	174.15	168.92	110.07	140.85	156.08	189.15	139.24	142.79
Austria (17)	192.08	0.2	184.63	121.73	155.10	154.87	0.0	1.03	191.58	183.62	121.09	154.95	154.87	195.41	164.64	166.02
Belgium (37)	176.60	0.3	169.76	111.92	142.61	139.32	0.0	3.97	176.13	168.82	111.33	142.45	139.32	176.78	143.62	147.36
Canada (105)	128.35	-0.1	123.35	81.34	103.64	128.23	-0.2	2.64	128.41	123.08	81.16	103.86	128.44	145.31	120.54	125.33
Denmark (33)	262.07	-0.2	251.33	166.10	211.63	219.65	-0.3	1.35	262.55	251.65	165.94	212.34	220.35	275.79	212.38	212.38
Finland (24)	158.50	-0.1	152.37	100.45	127.99	171.27	-0.6	0.82	158.67	152.09	100.29	128.33	172.38	164.23	104.28	111.57
France (97)	174.68	0.0	167.92	110.71	141.06	146.32	0.0	3.01	174.75	167.49	110.45	141.33	148.32	185.37	159.13	159.13
Germany (58)	145.93	0.7	140.19	92.43	117.77	117.77	0.6	1.76	144.77	138.76	91.50	117.09	117.09	147.24	121.25	121.25
Hong Kong (55)	385.44	0.0	370.53	244.29	311.27	382.42	0.0	3.17	385.35	369.36	243.56	311.67	382.35	506.56	286.76	293.32
Ireland (14)	201.37	0.2	193.58	127.62	162.62	190.56	0.3	3.32	201.05	192.71	127.07	162.61	186.06	209.33	161.54	164.32
Italy (81)	77.21	0.4	74.23	48.94	62.35	91.71	0.0	1.66	76.92	73.72	48.62	62.21	91.71	97.78	57.88	71.99
Japan (469)	164.54	-0.2	158.17	104.29	132.88	104.28	0.0	0.73	164.94	158.10	104.25	133.41	104.25	170.10	124.54	163.55
Malaysia (98)	531.10	-1.3	510.55	336.61	429.80	523.94	-1.1	1.58	538.17	515.63	340.15	435.27	529.81	631.63	361.95	361.95
Mexico (18)	2217.11	1.3	2131.31	1405.17	1790.40	8241.83	1.1	1.62	2195.91	2104.75	1387.92	1776.02	8154.63	2647.08	1615.11	1618.21
Netherland (27)	213.83	0.4	205.56	135.52	172.63	170.19	0.2	3.35	213.01	204.17	134.64	172.29	169.59	214.54	174.18	174.19
New Zealand (14)	72.19	2.4	69.40	45.75	58.30	63.46	1.8	3.77	70.49	67.57	44.55	57.01	62.31	77.59	56.86	58.86
Norway (23)	206.03	0.3	198.10	130.61	166.41	191.12	0.7	1.73	204.28	195.80	129.11	165.22	189.78	211.74	165.52	175.07
Singapore (44)	358.90	-0.6	344.32	227.40	289.75	249.09	-0.5	1.59	361.00	346.02	228.17	291.98	250.45	378.92	270.72	270.72
South Africa (59)	298.97	-1.0	287.30	189.42	241.35	297.22	-0.6	2.00	301.92	289.39	190.83	244.19	298.94	301.92	175.83	193.22
Spain (42)	144.60	0.0	139.00	91.64	116.77	142.30	0.0	4.05	144.57	138.57	91.38	116.93	142.30	155.79	123.93	123.93
Sweden (36)	211.55	-0.5	203.37	134.08	170.84	242.02	-1.0	1.64	212.60	203.78	134.38	171.95	245.11	231.35	175.83	185.56
Switzerland (47)	162.41	0.0	156.13	102.94	131.15	131.34	-0.1	1.85	162.40	155.66	102.64	131.35	131.52	178.56	130.21	130.21
United Kingdom (204)	198.11	-0.3	190.44	125.56	159.98	190.44	0.0	3.98	198.72	190.47	125.60	160.73	190.47	214.98	179.29	179.29
USA (519)	188.46	-0.1	181.17	119.44	152.19	188.46	-0.1	2.96	188.74	180.91	119.29	152.65	188.74	196.04	178.95	184.11
EUROPE (720)	171.92	0.0	165.17	108.90	138.75	154.24	0.0	3.01	171.77	164.64	108.57	138.93	154.18	178.58	149.78	149.78
Nordic (116)	209.85	-0.3	201.73	133.00	169.46	234.87	-0.7	1.45	210.40	201.66	132.98	170.17	206.24	222.03	173.18	174.52
Pacific Basin (749)	173.25	-0.2	166.55	109.80	139.91	114.62	0.0	1.05	173.67	166.47	109.77	140.47	114.63	178.88	134.79	166.55
Euro-Pacific (1469)	172.52	-0.1	165.84	109.34	139.32	130.55	0.0	1.87	172.75	165.57	109.18	139.71	130.53	173.89	143.88	159.55
North America (624)	184.72	-0.1	177.58	117.08	149.18	184.33	-0.1	2.85	185.00	177.32	116.93	149.63	184.61	192.73	175.67	180.47
Europe Ex. UK (516)	153.34	0.2	147.09	97.56	124.31	132.99	0.1	2.44	153.59	147.21	97.08	124.22	132.80	158.12	131.08	131.08
Pacific Ex. Japan (280)	258.84	-0.2	248.83	164.05	209.03	230.51	-0.2	2.80	259.45	248.68	163.90	209.84	231.00	296.21	186.75	186.75
World Ex. US (1651)	173.92	-0.1	167.29	110.16	140.37	134.13	0.0	1.80	174.05	166.82	110.01	140.77	134.11	175.01	145.58	159.60
World Ex. UK (1966)	175.66	-0.1	168.86	111.23	141.65	147.18	-0.1	2.04	175.87	168.57	111.16	142.24	147.25	178.51	155.96	165.63
World Ex. So. Af. (2111)	176.84	-0.1	170.04	112.11	142.84	150.00	0.0	2.23	177.11	169.76	111.94	143.25	150.06	178.56	158.54	166.71
World Ex. Japan (1701)	186.20	-0.1	179.57	118.39	150.85	178.16	-0.1	2.66	186.97	179.21	118.18	151.22	178.30	195.20	170.66	170.66
The World Index (2170)	177.65	-0.1	170.77	112.59	143.46	151.00	0.0	2.23	177.89	170.51	112.44	143.88	151.16	178.97	158.85	166.77

Latest prices were unavailable for this edition. Markets closed 15/8/94: Austria, Belgium, France, Italy & Spain

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday August 17 1994

IN BRIEF

Hewlett-Packard sustains growth

Hewlett-Packard, the pace-setter of the computer industry, maintained its rapid growth in the third quarter with revenues up 22 per cent and a 27 per cent rise in orders. Net earnings for the third quarter to July 31 were $347m. Page 15

Warehouse side curbs Wal-Mart
Wal-Mart reported profits growth of 14 per cent in the second quarter despite a poor performance from the group's warehouse club operations. The figures were in sharp contrast with the worsening losses reported this week by Kmart, Wal-Mart's biggest rival. Page 15

First-half advance at Hyundai Motor
Hyundai Motor, South Korea's largest carmaker, reported net profits of Won68.2bn ($85m) for the first half of 1994, a 343 per cent advance on the corresponding period last year, during which the company was hit by almost two months of industrial action. Page 16

Lac suitors seek to kill 'poison pill'
The two gold producers bidding for Toronto-based Lac Minerals will ask the Ontario Securities Commission tomorrow to dissolve a "poison pill" which Lac has put in place to discourage predators. Page 14

DnB posts record at mid-term
Den norske Bank, Norway's largest bank, recorded its biggest half-year profit in the first six months of this year, helped by the reversal of a long trend of heavy loan-loss provisions. It reported a pre-tax profit of NKr1.48bn ($208m). Page 14

Philips, KPN join Graff in pay-TV
Philips, the Dutch electronics group, and KPN, the Netherlands' recently-privatised telecommunications operator, are to enter the European pay-television market in a joint venture with Graff Pay-Per-View, a US company. Page 14

De Beers earnings slip 5%
De Beers, the South African company that dominates the world diamond industry, recorded a 5 per cent drop in earnings to $460m for the first six months of 1994, down from $482m a year ago. Page 15

Bowater buys windows group
Bowater, the UK packaging, printing and coated products group, yesterday announced its first sizeable acquisition of the year with the purchase of a windows manufacturer for £34.75m ($54m) in cash and a further performance-related deferred payment of up to £5m. Page 18

Sedgwick advances to £63m
Sedgwick, the UK insurance broker, yesterday reported pre-tax profits of £63.4m ($98m) for the first six months of 1994, compared with a restated £55.8m last time, buoyed by growth in its European and North American retail operations. Page 18

S&P affirms Turkish credit rating
Turkey's rating outlook may be stabilising following several credit rating downgrades earlier this year. Standard & Poor's, the US rating agency, yesterday affirmed its B+ rating for Turkey's long-term foreign currency debt. Page 16

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Beiersdorf	1094	+	14
Bilfinger Berg	870	+	25
Hochtief	968	+	30
Zanders Feinpap	250	+	10
Falls			
Lahmeyer	670	–	10
Porsche	830	–	19

NEW YORK ($)

Rises			
Dayton Hudson	85½	+	1¾
Hewlett-Packard	86¼	+	7⅞
Home Depot	43⅜	+	2
Pepsico	32¼	+	1⅛
Falls			
Lotus Dev	43½	–	1
Penney (JC)	47¼	–	1¾

PARIS (FFr)

Rises			
BIC	1290	+	34
Lafarge Coppee	441.4	+	13.9
Roussel-Uclaf	633	+	17
Falls			
Cr Foncier	980	–	37
Elf Sanofi	920	–	24
Sefimeg	428.7	–	11.1

TOKYO (Yen)

Rises			
Hitachi Metals	1330	+	50
Kobe Steel	327	+	7
Nikko Secs	1230	+	20
Nippon Metal	469	+	13
Nomura Secs	2280	+	30
Falls			
Mitsubishi	1030	–	10

New York prices at 12.30.

LONDON (Pence)

Rises			
Biotrace	144	+	15
Bluebird Toys	215	+	5
Calor	293	+	12
Cussins Prop	118	+	8
Eurocopy	65	+	4
GEC	292	+	8
MTM	76	+	4
Pifco	358	+	10
Proteus	194	+	9
Relyon	243	+	8
Rothmans	382	+	8
Severn Trent	550	+	12
Unilever	1126	+	19
Wellcome	719	+	27
Falls			
Azlan	188	–	9
BICC	412	–	9
GKN	630	–	10
HSBC	717	–	32
ICI	821	–	17
Micro Focus	873	–	180
Renold	169½	–	7½
Scantronic	20	–	5½
Serif	21½	–	3½
T&N	240	–	12

Electrolux soars to SKr1.66bn

By Christopher Brown-Humes in Stockholm

Large capital gains and a strong underlying recovery helped Electrolux, the world's biggest manufacturer of household appliances, to multiply its first-half profits.

The pre-tax figure, after financial items, jumped to SKr4.43bn ($570m) from SKr605m including SKr2.77bn in capital gains on disposals. Excluding these items, the result was up 174 per cent at SKr1.66bn, slightly ahead of market expectations of SKr1.52bn.

Operating income climbed 71 per cent to SKr2.50bn. The upturn was led by the group's household appliance division and reflected cost-cutting, new product launches and better demand in the US and Europe.

The US market had a particularly strong second quarter, helped by hot weather conditions which drove up sales of air conditioning and outdoor equipment. The pattern in Europe was less of clear recovery than of stabilisation in some markets, such as the UK, Spain and Nordic countries, and a slowing of the downturn in others, such as Italy and France.

The company remains cautious about prospects in Europe, warning that interest rate rises could undermine the turnround which appears to be under way. It also expects a slight slowing of US sales.

But the second half will see lower financial costs after a disposal programme which has reduced net debt by SKr7.5bn since last year. The main disposal was Autoliv, the car safety equipment manufacturer, which contributed a SKr2.9bn capital gain.

Group sales expanded to SKr55.5bn from SKr49.6bn, up 8 per cent on an underlying basis. Higher volumes account for most of the increase, although Mr Leif Johansson, chief executive, signalled that the group had obtained some price increases.

"We are beginning to see limited price increases, both in the US and in Europe, particularly in outdoor products," he said, but stressed that expectations for price rises were lower in the current recovery than in previous ones.

The company also believes it has slightly increased its market share in Europe and US through own-brand sales.

Second-quarter profits, excluding capital gains, rose to SKr991m from SKr483m. The group noted with satisfaction that underlying operating margins during the period had increased to 5 per cent from 3.5 per cent.

First-half household appliance sales rose 11.2 per cent to SKr31.5bn, from SKr28.3bn. Both outdoor products and industrial appliances also showed strong sales growth, rising 14.8 per cent and 18.9 per cent to SKr9.5bn and SKr9.6bn respectively. Commercial appliance sales were restrained by weak demand and were unchanged at SKr4.9bn.

Lex, Page 12

SBC falls 45% to SFr1.2bn in first half

By Ian Rodger in Zurich

Swiss Bank Corporation, Switzerland's third largest bank, reported a 45.1 per cent slide in first-half consolidated profits before tax and provisions to SFr1.19bn ($911m). This was a worse performance than its two local rivals, Union Bank of Switzerland and Credit Suisse.

A collapse in income from trading in bonds and interest rate instruments was the main cause of a 23 per cent fall in operating income to SFr3.38bn, while operating costs were flat at SFr2.19bn.

However, SBC halved its bad debt provisions to SFr585m, thanks to improved economic conditions and borrower quality. Together with a 29 per cent cut in income taxes, this limited the fall in net income, which was SFr438m, to 36 per cent.

SBC said the results were "below expectations", but was "cautiously optimistic about the outlook for the second half, which will largely depend on how the financial markets develop".

The bank, which has invested heavily in a sophisticated trading business in recent years, suffered a 63 per cent fall in income from this volatile area to SFr537m.

It said profits on foreign exchange and European equity trading were ahead of expectations, but results from trading in bonds and interest rate instruments suffered.

While the SBC trading result was slightly less dismal than the 68 per cent fall in trading income at UBS, it was far worse than *the 35 per cent drop at* Credit Suisse.

Also, UBS was better able than SBC to cushion the big drop in its trading income from its lending and commission businesses. SBC's net interest income fell 15 per cent to SFr1.37bn because of "continuing pressure on margins", while commission income rose 11 per cent to SFr1.34bn.

Similarly, while UBS knocked its operating costs down by some SFr77m to SFr2.6bn, SBC's costs fell by only SFr13m to SFr2.18bn. SBC said the 9.7 per cent rise in overheads reflected branch network restructuring and an expansion of international activities.

SBC staff costs fell 6 per cent to SFr1.4bn, while those at UBS were down 4.4 per cent to SFr1.85bn. Credit Suisse's staff bill rose 6 per cent to SFr1.46bn.

World Stock Markets, Back Page

Paul Taylor assesses the Anglo-US group's progress towards cutting its debt

Hanson lifted by Quantum Chemical

Hanson, the Anglo-US conglomerate, yesterday reported a 10 per cent rise in third-quarter pre-tax profits to £282m ($437m) from £256m. Turnover grew 20 per cent to £2.77bn including a £344m contribution from Quantum Chemical, acquired in September last year. The £2.31bn sales of the April-June period in 1993 included £253m from discontinued businesses.

Profit before exceptional costs increased to £282m, against £266m, despite a jump in the net interest bill to £57m, from £1m. The results were towards the low end of estimates and Hanson's shares closed ½p lower at 264p.

With fully diluted earnings per share rising from 3.8p to 4.1p, the quarterly dividend was increased from 2.85p to 3p, in line with market expectations.

Mr Derek Bonham, chief executive, said: "In the third quarter conditions continued to improve and the outlook is good. Despite the expected adverse interest swing of £56m, a negative of about £10m on foreign exchange and no contribution from exceptionals, profit on ordinary activities advanced positively including a very satisfying contribution of £46m from Quantum.

Figures for the first nine months showed a 26 per cent increase in pre-tax profits, from £763m to £965m. Hanson noted that the US coal strike reduced pre-tax profits by about £80m.

Pre-tax profits were bolstered by £331m (£30m) of gains on disposals, which offset net interest costs of £176m compared with net interest receipts of £35m in the same period last year.

Profit before exceptionals fell from £733m to £634m on turnover which rose 16.5 per cent to £8.41bn. Quantum's chemicals and propane operations contributed £1.19bn to sales and £116m to profits.

Discontinued operations contributed £337m (£644m) to turnover and £27m (£71m) to profits. Fully diluted earnings per share rose from 11.5p to 14p.

● Peabody has reached a preliminary agreement to purchase the assets of Carter Mining from US-based Exxon Coal.

Lex, Page 12

New look cannot quite conceal scope for surprise

Hanson's proposed flotation of a majority stake in Ertl, the US toy manufacturer, together with its pending acquisition of Scholes, the UK-based electrical equipment manufacturer, highlights the Anglo-US conglomerate's twin-track acquisition and disposals strategy.

During the 1980s the group, led by founders, Lord Hanson and Lord White, aggressively stalked and picked off corporate giants such as SCM Chemicals, Imperial Tobacco and Consolidated Gold Fields.

Since then the business, market and political climate on both sides of the Atlantic has changed and most analysts believe Hanson's appetite – and capacity – for multi-billion dollar deals has waned.

At first sight the group's $3.4bn acquisition of Quantum Chemical, the US polyethylene and propane group, at the end of September last year appeared to signal a return to the old swash-buckling style. But in reality the deal represents a calculated gamble on the petrochemicals cycle.

The clear message from Mr Derek Bonham, Hanson's chief executive who was given the additional title of deputy chairman last autumn, has been determination to reduce debt through disposals and flotations and concentrate on expanding its main businesses, both organically and through 'bolt-on' acquisitions.

These core businesses include aggregates, chemicals, natural resources and tobacco.

In the wake of the Quantum acquisition, Hanson's net borrowings mushroomed to £3.4bn ($5.23bn) from £774m a year earlier and represented gearing of 86 per cent at the end of September. Hanson cut its interest costs by refinancing the $2.35bn of junk bond debt assumed with the Quantum purchase at preferential rates.

It has raised about £815m, including £490m in the UK, through disposals including the flotation of its Beazer housebuilding operations on both sides of the Atlantic earlier this year.

Hanson has also sold 11 UK companies to management buy-out teams backed by Electra, the venture capital group, at end of December for £90m.

In America Hanson has sold the Axelson oil industry equipment group for £56m and Hanson Office Products contract stationery business for £110m.

The group recorded a profit of £333m from disposals in its first half and gearing fell to 69 per cent by the end of March.

Excluding the proposed £96.1m purchase of Scholes, which has yet to be completed – the company has agreed to the Hanson bid said it was open to higher offers – analysts estimate that net borrowings are around £2.55bn, putting gearing at around 54 per cent.

The planned flotation of Ertl, whose products include die-cast models of Thomas the Tank Engine, plastic model kits and the best-selling Bumble Ball, is expected to generate $200m in cash for Hanson this autumn. Hanson plans to retain a 37 per cent stake in the Iowa-based toy maker.

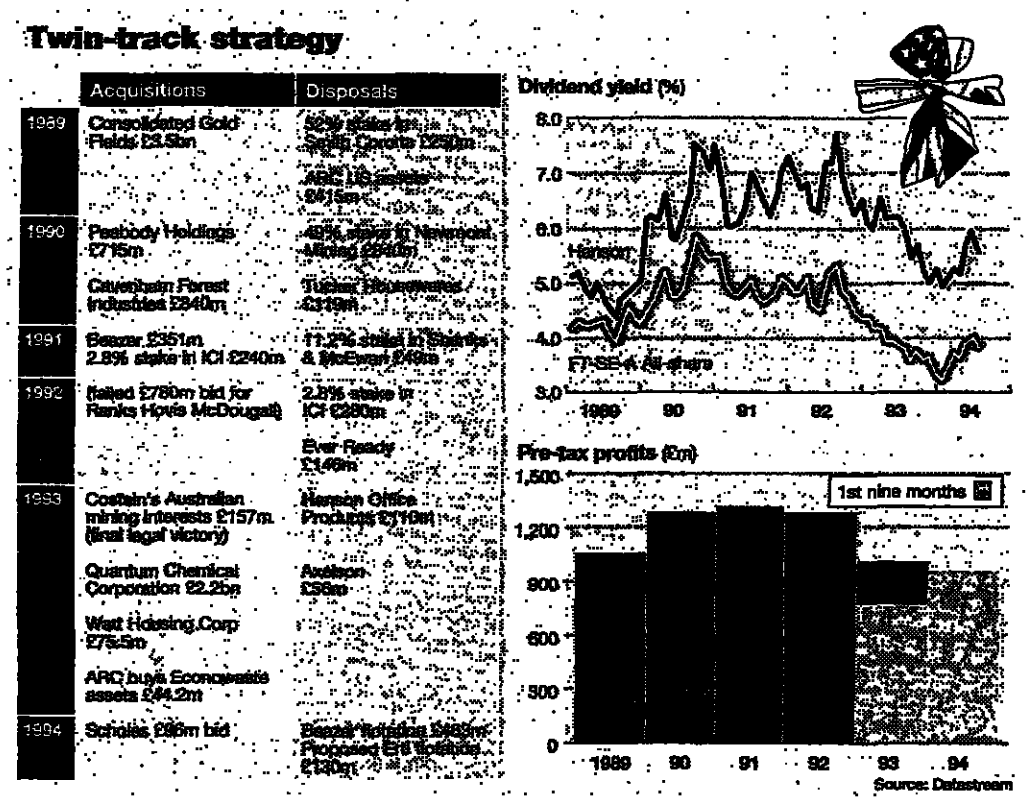
But despite Hanson's balance sheet improvements, Ertl's stock market debut this autumn is unlikely to signal the end of the disposal programme. Analysts expect Hanson to focus on its smaller US consumer and industrial subsidiaries as the group has already sold most small non-core operations in the UK.

Among the US recreation and leisure operations which could be sold are Tommy Armour golf equipment, the Valley pool table business and Farberware kitchen products.

Elsewhere Hanson is expected to continue making smaller bolt-on purchases such as the proposed Scholes deal. If completed, Scholes would be used to strengthen the position of Hanson's Crabtree subsidiary in the increasingly competitive UK electrical installation equipment market.

Hanson's transformation from an acquisitions-driven, deal-making machine of the 1980s into a more conventional international conglomerate is being orchestrated by Mr Bonham, heir apparent to Lord Hanson, and his US counterpart, Mr David Clarke, chief executive of the US operations.

Analysts caution that while most of the future acquisitions are likely to be of the "fill-in" type, it is too soon to dismiss the possibility of Hanson making further big opportunistic acquisitions – particularly as gearing is brought down to more comfortable levels. Underlining this, Mr Clarke has been quoted as saying that the US disposal programme enables management to focus on "the next big deal".



New swap provides a hedge against higher UK taxes

By Andrew Jack and Tracy Corrigan in London

Morgan Grenfell, the UK merchant bank, has entered a UK tax rate swap, which could mark the opening of a new market for hedging tax exposure.

The agreement, signed this month, will allow its client to protect itself from future variations in UK corporate tax rates. Companies routinely consider tax implications when entering interest rate and currency swaps but a tax swap is more radical.

The swap would allow companies to hedge against changes in tax rates and as a result to maintain their level of post-tax profits regardless of the tax effects triggered by policy changes or switches in political regimes.

Morgan Grenfell has taken on its own books a swap relating to £15m ($23m) income from leases payable to an international bank. The agreement runs over four years – until after the next general election. If UK tax rates fall below the current 33 per cent, Morgan Grenfell will pay out the saving in the tax charge to the client. Morgan Grenfell says the swap has a natural hedge because it can offset any payments or receipts against the effects that any tax rate change will have on its own corporate profits.

Its profits on the deal came from a fixed fee, but it believes future agreements could be based on a commission and may be hedged around rates other than 33 per cent. It is seeking counterparties for this swap and is considering similar arrangements with other clients.

Mr Neil Jeffares, a director in the banking division at Morgan Grenfell, said the client had provided "a very satisfactory fee". The product would be ideal for UK companies or multinationals with UK tax liabilities, although it would be more difficult for a UK bank to enter swaps hedging against tax changes in other countries.

According to derivatives specialists, there have been tax swaps in the past ahead of general elections, particularly in anticipation of a shift from a right to left-wing government, such as in the US in 1991 and 1992 because of fears of a tax rate rise under a Clinton administration.

However, a number of factors have tended to inhibit the development of a tax swap market. It may be hard to find counterparties for companies trying to offset tax risk.

In addition, tax authorities have tended to frown on structures devised purely for tax reasons. "The mood these days is that it is the spirit and not the letter of tax law that counts," said one head of swaps at a London-based bank. However, the Morgan swap does not affect the amount of tax payable to the Exchequer.

FINANCIAL TIMES COMPANIES & MARKETS

Tuesday August 16 1994

IN BRIEF

Viacom helped by strong MTV gains

Viacom, the entertainment group, reported a sharp rise in second-quarter net earnings to $221.7m on the back of strong growth at MTV, the music television channel, and a first contribution from Paramount Communications. Page 17

Bell Atlantic takes $2.3bn charge
Bell Atlantic, the US regional telecommunications group, said yesterday it would take after-tax charges of $2.3bn in the third quarter to cover a write-down in equipment values and a cut in the workforce. Page 17

Toys 'R' Us held back
Weak demand in its international stores held back the pace of profits growth to 7 per cent at Toys 'R' Us, the US toy retailer, in the second quarter to July. Net earnings rose from $35.5m in the comparable period to $38m. Page 17

Hanson to float toy maker
Hanson, the Anglo-US conglomerate which announces third-quarter results today, plans a stock market flotation for Ertl, the US-based toy maker, as part of its debt reduction programme. Page 16

DBS shows 14 per cent at half time
Development Bank of Singapore (DBS), the island republic's largest bank, has announced pre-tax profits for the six months to end-June of S$311m (US$206m), a 14 per cent rise on the corresponding period last year. Page 17

Argos fights effect of tax rises
Argos, the UK catalogue retailer, said it had been hit hard by the tax increases in April, but bounced back to produce a 16 per cent increase in pre-tax profits for the first half-year. Page 15

Welsh Water to cut 18% of workforce
Welsh Water, the UK utility, says it will reveal plans for its £55m ($84.7m) cash pile in October. Yesterday the group revealed details of a cost-cutting plan including shedding 18 per cent of the utility's 3,000-strong workforce. Page 19

Takare defends accounts
Mr Keith Bradshaw, chairman of Takare, the UK nursing home group, defended the group's accounting policies as it announced a 36 per cent increase in interim pre-tax profits. Page 15

Elsevier payout attacked
Mr Peter Davis, the former co-chairman of Reed Elsevier, the Anglo-Dutch publishing group, is more than £650,000 richer than when he left for his holidays. Yesterday his former employers acted to defuse the potential row over his £2.02m ($3.1m) compensation package. Page 15

Pig farmers suffer price pain

Pig farming has always been a notoriously cyclical affair; but the present down-swing in prices has been deeper and much longer than usual and is causing severe pain in the sector. Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Altana	639	+	15
Hochtief	930	+	14
Linde	930	+	11
Mannheim Vers	755	+	10
Schering	957.5	+	12.5
Veba	548	+	10.5
NEW YORK ($)			
Rises			
Bankers Trust	70¼	+	1¼
Heinz	37¾	+	¾
Lotus Dev	45	+	3
Morgan (JP)	64⅞	+	1⅛
Quaker Oats	76¼	+	1⅝
Texas Insts	83⅜	+	1
TOKYO (Yen)			
Rises			
Kobe Steel	320	+	6
NEC	1210	+	20
UBE	419	+	12
Falls			
Honda	1700	–	30
M'bishi Motors	945	–	13
TDK	4370	–	100

Paris closed. New York prices at 12.30.

LONDON (Pence)			
Rises			
Celsis Intl	64	+	4
Friendly Htls	185	+	11
Micro Focus	1063	+	38
Moorfield Est	30	+	3
NatWest	462	+	12
Owners Abroad	109	+	5
Pston	259	+	7
Wellcome	692	+	13
Whitbread	560½	+	8½
Wyko Group	65	+	8
Yorkshire TV	334	+	16
Young (H)	80	+	8
Falls			
Argos	367	–	7
Calor	281	–	9
Cowie Grp	252	–	8
HSBC	749	–	10
Huntingdon Intl	85	–	9
Storm Group	12½	–	5½

■ Pre-tax profits up 24 per cent at £1.46bn ■ Sharp drop in dealing income

HSBC stops own-account bond trading

By John Gapper, Banking Editor

HSBC Holdings, the international banking group, has largely suspended proprietary trading on bond markets after losing £123m ($190m) on bond and interest rate-related trading during the first half, it disclosed yesterday.

HSBC's shares fell 10p to 749p after it revealed that its exposure to financial trading led to a 10 per cent fall in non-interest income to £1.47bn. This included a sharp drop in dealing income to £73m from £522m.

Despite the setback, a fall in provisions for bad and doubtful debts to £173m from £432m allowed HSBC to raise pre-tax profits by 24 per cent to £1.46bn from £1.18bn. The interim dividend goes up 14 per cent to 8p.

Sir William Purves, HSBC chairman, said that the bank's treasury had been positioned for a rise in US interest rates in February, but was caught out by the "rather drastic" rise in European bond yields that accompanied this. None of HSBC's internal limits were breached and no staff had been dismissed. But HSBC was "not running significant positions today and we will not start again until we see markets that are more predictable".

Dealing income from foreign exchange rose to £196m from £180m. But it lost £92m on proprietory position taking in interest rate products, and lost a further £31m on other trading, primarily interest rate-related.

Losses continued at Concord Leasing, its US leasing arm, which has suffered from falls in the value of commercial aircraft. It lost £100m, against £22m in the first half of 1993 and £140m in the second half.

Sir William said HSBC had changed Concord's chief executive and was negotiating with US banking regulators to fold it into Marine Midland, its US banking subsidiary. This would help it to use tax allowances arising from the losses.

There was strong asset growth in Hong Kong, with advances at its subsidiary HongkongBank rising by 5.7 per cent from the end of 1993. This was due to demand for residential mortgages and corporate loans, and buoyant trade finance.

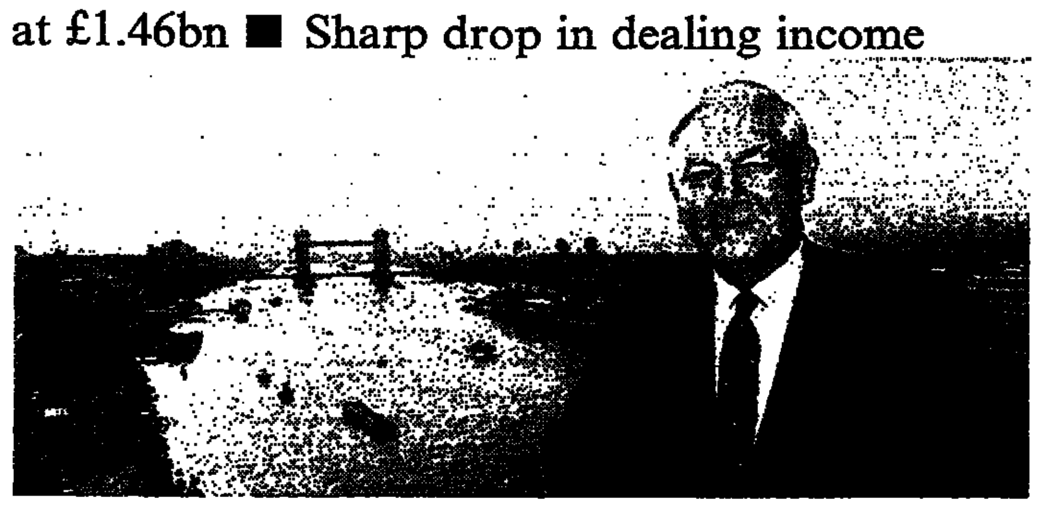
The net interest margin stayed at 2.7 per cent, with interest-earning assets rising to £169bn from £159bn. Margins in HongkongBank narrowed from 2.4 to 2.3 per cent, mainly because of narrowing spreads on liabilities.

Sir William said that he had "no gleam in my eye" over the possibility of acquiring a UK building society. A purchase to add to Marine Midland was more likely, but it was unwilling to pay current prices for US regional banks.

The annualised post-tax return on equity fell slightly to 19.3 per and the return on assets stayed at 1 per cent. The tier 1 ratio of capital to risk-weighted assets rose from 7.5 to 8.6 per cent.

Profit attributable to shareholders advanced 13 per cent to £938m. The increase was lower than the rise in pre-tax profits because tax allowances from past losses have been used at Midland, and largely used at Marine Midland.

Lex, Page 14; Hang Seng Bank, Page 17; Midland, Page 21



Trevor Humphries

Sir William Purves: HSBC was caught out by the "rather drastic" rise in European bond yields

Kmart to restructure as earnings fall 25%

By Richard Tomkins in New York

Kmart, the troubled US discount store group, yesterday reported a 25 per cent slump in earnings for the second quarter and said it was close to announcing plans for a big restructuring.

The plans, expected to be announced in the next 30 days, will include new proposals for the future of the group's specialty retailing operations and may also embrace a strategy to restore profitable growth to its ailing discount store business.

At the beginning of June dissident institutional investors delivered a humiliating blow to Kmart's management by voting down its plans to create new shares tied to the performance of the specialty retailing subsidiaries. Kmart had planned to sell up to 30 per cent of these shares and use the proceeds to help fund the refurbishment of its ageing discount stores.

Investors rejected the plans because they believed Kmart should sell the specialty retailing business outright and devote its energies to revitalising the discount stores, which are losing customers to Kmart's bigger and more successful rival, Wal-Mart Stores.

Yesterday the continuing difficulties of the discount stores were illustrated when the group reported a second-quarter decline in group profits from $125m last year to $94m, excluding the discontinued PACE Membership Warehouse and Pay-Less Drug Store businesses.

The figures were not as bad as expected, and the shares edged up $¼ to $17¼.

Sales rose 4.6 per cent to $8.83bn but earnings per share on continuing operations were down from 27 cents to 20 cents. For the first six months, sales rose 5.4 per cent to $16.64bn, net income fell from $183m to $112m excluding discontinued operations and exceptional items, and earnings per share fell from 39 cents to 24 cents on the same basis.

Mr Joseph Antonini said: "Performance in our core US Kmart division is below our expectations." The gross margin for the quarter fell from 25.2 per cent to 24.8 per cent, mainly because sales were lower than expected on fixed occupancy costs and because lower-margin grocery products took a higher proportion of sales from the new Super Kmart Centers. Mr Antonini said "aggressive actions" were being taken to improve sales and profitability for the rest of the year.

PC price cuts likely after move by Compaq

By Louise Kehoe in San Francisco

Compaq Computer has cut US prices on a range of its personal computer products by up to 22 per cent in a bid for market leadership. Competitors are expected to follow, sparking a new round of price cuts throughout the industry.

Mr Eckhard Pfeiffer, Compaq chief executive, aims to overtake IBM and Apple Computer to make Compaq the world market leader in PCs by 1996. Compaq already sells more PCs in the US than any of its competitors.

The price cuts come as the PC industry enters its strongest buying season, from September to December. Intel, the leading microprocessor supplier to the PC industry, has cut the prices of its highest performance chips over the past few months.

Desktop PCs based on Intel's latest Pentium chips will be available in the US for about $2,000 this Christmas, Intel predicts. The market is booming as US consumers seek out the latest multimedia PCs for home use.

Defying predictions of a slowdown, US PC shipments rose 23 per cent in the second quarter, according to Dataquest, the market research firm. "Many industry insiders expected a slowdown in the second quarter, but shipments continued to increase despite the fact price cuts are looming," said Mr Philippe de Marcillac of Dataquest.

Compaq Computer outstripped its competitors in the US in the first half, according to Dataquest. The company sold more than 1m PCs to achieve a 13.4 per cent market share. Apple Computer, with 10.8 per cent of the market, and Packard Bell, with 9.9 per cent, also beat IBM which slipped to fourth place with only 7.9 per cent of the market, measured in units sold.

As Compaq lowers its prices, it will be increasingly difficult for IBM to catch up, according to analysts. However, IBM is overhauling its PC operations to become more competitive.

Apple Computer's new Power Macintosh products were selling more slowly than expected, Dataquest said, but strong sales of its laptop computers boosted unit shipments in the first half.

Dataquest expects the US PC market to decelerate in the current quarter.

Bernard Simon sees a rock-solid Canadian industry being shaken

Life on the edge as Confed makes insurers nervous

A shiver of nervousness has rippled through Canada's life insurance industry in the wake of last week's collapse of Confederation Life, the fourth biggest domestic insurer.

Since regulators decided to take over Confederation on Thursday, pending the winding-up and liquidation of the Toronto-based company, chief executives of other companies have rushed to reassure employees and policyholders. The public has been told that Confed is a special case, that its problems are not typical of the industry.

Confed's businesses were relatively sound, but it was dragged down by an aggressive 1980s foray into property development and lending. Commercial mortgages made up 45 per cent of its total investments at the end of 1992, with direct property investments accounting for another 7 per cent and residential mortgages 11 per cent. In other words, property made up more than 60 per cent of its investments.

The concern remains, however, that the biggest failure of a life insurer in North America, involving a company with C$19bn (US$13.8bn) in balance sheet assets and C$33bn in assets under management could set off a chain of events which might be difficult to control.

Canada's life insurance industry has for more than a century enjoyed a rock-solid reputation. The biggest companies, such as Manulife Financial (formerly Manufacturers Life), Sun Life of Canada and Canada Life, are strongly capitalised and have blue-chip credit ratings. Sun Life's surplus reached a robust 13.6 per cent of liabilities at the end of 1993.

The biggest companies are also diversified. More than two-thirds of Sun Life's assets under management are in the US, mainly in wholly-owned Massachusetts Financial, which is among the 20 biggest US mutual fund distributors. Manulife is the third biggest life underwriter in Hong Kong, and writes more business in Asia than in Canada.

But pressures on the industry have been building. About 150 life companies compete for business in a stagnant market. Underwriting margins have narrowed to the point where many companies rely on investment income and diversification – into mutual funds, for instance – to keep them in the black.

Standard & Poor's said in a report this month that while the nine biggest companies "continue offering a high level of financial security", it expects to downgrade some credit ratings over the next few years.

Although Confed was heavily exposed to property, the slump in North American property values has hit the entire industry. Even Sun Life suffered investment losses, mainly from its property portfolio, of C$355m last year – a 66 per cent jump from 1992.

The diminishing rewards of the Canadian insurance market are apparent in a spate of deals. New York Life earlier this year ended a 136-year presence in Canada by selling its operations to Canada Life. Sun Alliance sold its Canadian unit to North American Life at the end of May. "It has become increasingly clear that smaller companies, such as ours, would find it difficult to survive in the *highly competitive Canadian* marketplace," Sun Alliance's chief executive said at the time.

More recently, the UK's Prudential group has sold its Canadian group life and health business, as well as its group pension-plan operations, to Sun Life. Several other foreign companies are rumoured to be struggling to find buyers. Regulatory curbs, such as a 25 per cent limit on foreign shareholdings, have also discouraged mergers and takeovers.

Mr Mark Daniels, president of the Canadian Life and Health Insurance Association, says that the Confed failure could speed up rationalisation, and predicts "significantly fewer players" over the next five to 10 years.

Confed's collapse may encourage Canada's six big banks to accelerate their drive into insurance, he adds. The banks have been allowed to own insurance companies since mid-1992. Several have already bought insurance operations, but have yet to make an impact on the market.

Meanwhile the industry is braced for a "flight to quality" in the wake of Confed's failure. Companies seen to be vulnerable could find it difficult to sell policies or attract savings and there is concern that some may have difficulty raising funds.

Insurers also face the prospect of a costly call for contributions to CompCorp, the industry's consumer-protection fund of which membership is compulsory. Unlike most deposit-insurance schemes, members are assessed for funds only after a member has been declared insolvent. The industry coughed up C$180m in 1992-93 to pay out policyholders of Les Coopérants, a Montreal-based company. Another C$75m or so will be required to meet the obligations of Sovereign Life of Calgary, which failed in late 1992.

These sums are likely to pale against CompCorp's obligations to Confed policyholders. Although the final payout will depend on how much the liquidator can raise from asset sales, the chief executive of one insurer estimates that his company, which is among the 10 biggest, could be on the hook for C$25m-C$50m.

What is especially galling to insurers is that depositors in the rash of Canadian trust companies which have failed have been compensated by the government, through the Canada Deposit Insurance Corporation. Insurers now face a similar period of turmoil.

But while taxpayers footed much of the trust industry's bill, insurers themselves will have to carry the burden for those who fall by the wayside. That prospect may provide a powerful incentive for stepping up the pace of mergers and acquisitions before more companies go the way of Confederation Life.

Lex, Page 14; Credit ratings, Page 18

Canada's top life insurance companies

Name	Assets (C$ bn)	Standard & Poor rating
Manulife Financial	38.5	AAA
Sun Life of Canada	34.1	AAA
Great-West Life	25.2	AAA
Confederation Life†	19.2	BBB+
Canada Life	18.2*	AAA
Mutual Life	16.6	AAA
London Life	13.0	AAA
Standard Life**	9.7	AAA
North American Life	8.9	AA
Crown Life	7.5	A+

*All figures are year-end 1993 except Canada Life, which includes recent purchase of New York Life's Canadian operations, completed in 1994. † Downgraded to 'R' on August 12 1994 **Rating of parent company that includes Canadian operations

US report gives coffee a fillip

By Alison Maitland in London

Coffee futures prices rose strongly in London and New York yesterday following a report from the US Department of Agriculture estimating that frost damage would cut next year's Brazilian coffee crop by 30 to 40 per cent.

The USDA report, regarded by traders as the most accurate available, suggested that the crop would total between 17m and 20m bags compared with the 29m it predicted before the frosts in June and July. Brazil usually accounts for at least a quarter of world coffee output.

Traders had expected that the USDA estimate of the damage would be lower than that of the Brazilian government, which said last month that 40 per cent of the crop would be lost.

In practice, the US figures, released late on Friday, were at the top end of expectations, giving a fillip to prices that had suffered a sell-off last week, as investment funds and speculators took profits.

In London, robusta coffee futures staged a 4.8 per cent rally, with the contract for delivery in November rising $157 to $3,430 a tonne. Arabica coffee futures in New York were up strongly in the afternoon session, the December contract closing 13.6 cents, or 7.3 per cent, higher at 198.45 cents a pound.

However, neither market regained all last week's losses, suggesting prices might have risen too far, too fast in the aftermath of the frosts – London peaked at $4,085 a tonne and New York at 274 cents on July 13.

GNI, the London commodity broker, said dry weather now appeared to be the most important concern for next year's crop. The USDA found there had been less rainfall than usual in virtually all the coffee areas it visited in its 3,800-mile field survey, saying normal rainfall was needed for a "favourable" flowering season in October to December.

INTERNATIONAL COMPANIES AND FINANCE

Hanson plans to float Ertl in debt reduction scheme

By Paul Taylor in London

Hanson, the Anglo-US conglomerate which announces third-quarter results today, plans a stock market flotation for Ertl, the US-based toy maker, as part of its debt reduction programme.

Mr David Clarke, chief executive of Hanson Industries, Hanson's US arm, said yesterday Ertl had filed a registration statement with the US Securities and Exchange Commission for an initial public offering of 8.5m shares at an estimated price of $16 a share.

Ertl, which is based in Dyersville, Iowa, will use the proceeds of the offering together with bank borrowings to pay Hanson about $200m ($303m). Hanson will retain up to 37 per cent of the company after the flotation.

The proposed offer price values Ertl, whose products include die-cast models of Thomas the Tank Engine, television-advertised promotional toys and plastic model kits, at about $216m.

Ertl posted pre-tax profits of $14.1m in the year to September 30 on sales of $186m and had net profits of $9.6m.

Hanson acquired Ertl from Kidde in 1987 after a proposed $89.5m sale to Tonka fell through. Since then, the company has consolidated its position as one of the leading US toy manufacturers.

The proposed deal is structured in a similar way to the flotation of Beazer Homes USA, Hanson's US housebuilding business, which was completed earlier this year as part of Hanson's strategy of reducing debt through the disposal of non-core businesses.

Hanson's gearing rose to 86 per cent after last year's acquisition of Quantum Chemical, the US polythene and propane group.

Since then a succession of disposals has reduced net borrowings to about £2.55bn and gearing to about 54 per cent excluding the proposed Scholes electrical equipment manufacturer acquisition in the UK which has yet to be completed.

So far this year, Hanson has raised about £810m through disposals including £490m in the UK and further disposals are expected.

Analysts expect future sales to be focused on smaller companies in the US.

Bilspedition to sell stake in shipping offshoot

By Christopher Brown-Humes in Stockholm

Bilspedition, Scandinavia's biggest freight-forwarding group, yesterday announced plans to offer $50m worth of shares in its Atlantic Container Line shipping unit to international investors.

It also said it would seeking a listing for the company on the Oslo Stock Exchange.

The moves are in line with the Swedish group's decision to pull out of shipping to concentrate on its core transport, forwarding and logistics businesses.

It has been through a period of heavy restructuring after suffering heavy losses from property and shipping in 1992, and sees the recent improvement in ACL's performance and prospects as a good opportunity to sell.

A total of 5m shares will be offered to investors in the US, UK and Norway at between $9 and $11 each. Proceeds will be used to strengthen the balance sheet of ACL which operates a roll-on roll-off shipping service across the North Atlantic.

Mr Hakan Larsson, Bilspedition chief executive, said ACL had made its first profit since the 1980s during the first half of 1994, helped by cost-cutting, rising freight volumes and price rises.

"The market is now stable and the economic climate is expected to continue to improve in both Europe and the US over the next few years," he stated.

Liner shipping on the North Atlantic has been plagued by overcapacity and low rates in recent years, although the problems have been substantially addressed by the formation of the Transatlantic Agreement, a collaborative arrangement between many of the big operators on the route to promote price stability.

Bilspedition, which had gross turnover of SKr30bn ($3.86bn) last year, will retain a 17 per cent stake in ACL. Disposal of the rest of its stake is expected to cut interest-bearing liabilities, which stood at SKr5.46bn at the end of last year, by SKr735m.

Homestake Mining silences its critics

Kenneth Gooding traces the rapid recovery of North America's oldest gold producer

How quickly times have changed for Homestake Mining, North America's oldest gold mining group. Today, some analysts wonder whether it will spend wisely the money it is earning or borrowing. Two years ago, some of the same analysts worried about its losses and its debts.

At that time, Homestake refused to follow the example of most Australian and North American precious metals groups and hedge its production, in spite of a steadily falling gold price and even though selling its gold at the spot market price was barely profitable.

Homestake merged with Corona, a Canadian gold group, in July 1992. This made it one of the world's biggest gold producers – with operations in Australia, Chile and Mexico as well as North America – but Corona brought with it a big burden of debt.

Corona was a relative newcomer to the gold scene, run by speculators. Critics of the merger said there was no way the corporate cultures would mix. They predicted disaster.

Mr Harry Conger, Homestake's chairman, can be forgiven for smiling when he says results from the Corona merger are better than expected. Corona had more debt than it could afford. Homestake's production costs were too high. But putting them together enabled Homestake to absorb Corona's US$227m of long-term debt and have relatively modest gearing.

Mr Conger emphasises the merger did *not* bring the Corona management style with it. "Corona had two management styles, one at board level, one at the operating level. We brought in only operating people."

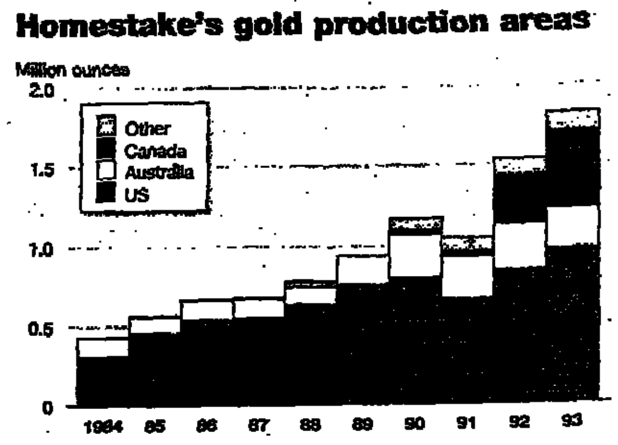
For example, Corona hedged a great deal of its production but Homestake sticks firmly to the view that its shareholders do not want it to hedge. However, as half Homestake's gold is sold outside the US, Mr Conger believes it is reasonable to protect the company by hedging against severe swings by Canadian and Australian dollars against the US currency.

One big benefit from the merger was that it brought Homestake the services of Mr Peter Steen and his team from Corona. They brought with them "new eyes, new approaches" that have helped to turnround Homestake's fortunes. Even at the 150-year-old Homestake mine in the Black Hills of Dakota, where they have gone down 8,000 feet to dig out the gold, the new approach is working. Mr Conger is devoted to the mine but he would not tolerate losses for ever.

Mr Steen closed some of the marginal areas. The workforce was reduced to less than 1,000 from 1,400 five years ago but output increased. In 1992, the Homestake mine produced 397,000 troy ounces of gold at a full cost of $337 an ounce. Last year it produced 448,000 ounces at $288 an ounce.

"Homestake is still the company's biggest single gold producer and gives the biggest operating profit," Mr Conger points out.

Homestake's gold production areas



Source: Homestake Mining

The Homestake group's costs have come down. Last year's 1.9m ounces were produced at a cost of $282 an ounce, down from $303 in 1992. Cost-cutting and a gold price rise put Homestake back into the black in 1993. Net income was $52.5m against a $175.8m loss in 1992 and a loss of $261.9m for 1991.

Group management has been restructured and simplified. The gap left by Mr Steen's recent departure at short notice to become president of Lac Minerals, the beleaguered Canadian mining group, was quickly plugged. Mr Jack Thompson was appointed president of Homestake and, meanwhile, Mr Conger at last set a date for his retirement – early in 1996.

Now, he says, the most important task for Homestake is to add new long-life gold reserves with lower total costs than present production.

Although Homestake is relying on exploration success to secure its long-term future, it has sacked geologists, closed exploration offices and cut the budget.

Homestake previously spent about $30m a year and Corona $6m on exploration. But Mr Conger admits Homestake has not been particularly successful since finding the McLaughlin mine in California in the late 1970s. So the approach has been changed. The combined exploration teams of 260 people have been reduced to 120 and, instead of having several site offices, there is a centralised exploration team in Reno, Nevada. The budget has been cut to $15m in North America and $3m in Australia. "The idea is that, when prospects are identified, promising projects will get extra money," says Mr Conger.

Homestake just might have struck lucky again at its Eureka property in Nevada. Preliminary drilling indicates there is gold along a 37-mile strike and some tests show very high grades.

Homestake expects to have its Eskay Creek polymetallic mine in British Columbia in production by the end of 1994 to produce about 210,000 ounces of gold and 9.4m ounces of silver annually for 10 years. Corona was involved in a bidding war for Eskay and in 1991 and 1992 wrote off $176m on the project. Homestake has had better luck. The capital cost of bringing Eskay into production has been cut by $150m to $60m because it has been found the ore can be sent directly to smelters for processing rather than being upgraded into a concentrate (an intermediate material) at the mine site.

Mr Gene Elam, Homestake's chief financial officer, says the group has $200m cash and a line of credit for $150m. Total debt is $185m but there are no debt repayments until 2000. The present gold price provides Homestake with annual free cash flow of about $90m a year, so it should soon be free of net debt.

The dividend has been doubled to 20 cents a share, a level shareholders have not seen for several years.

Former Reed Elsevier boss in $3.1m pay-off

By Tim Burt and William Lewis in London

Mr Peter Davis, former co-chairman of Reed Elsevier, the Anglo-Dutch information and publishing group, is to receive one of Britain's largest executive pay-offs in recent years – a compensation package worth £2.02m ($3.11m).

Mr Davis, who resigned in June after a dispute over management responsibilities, is to receive £652,000 in cash; £1.3m of enhanced pension entitlements; and up to £70,000 in fringe benefits – including temporary use of an office suite in London's West End.

The deal, which was announced yesterday after lengthy talks between Reed Elsevier's lawyers and actuaries, is the third largest disclosed by a FT-SE 250 company since June last year.

According to figures compiled by Pirc, the corporate governance consultancy, it was outstripped only by the £3.1m package awarded to Mr John Cahill, former chairman of British Aerospace, and a combined £2.9m payment to two directors of Lasmo, the oil exploration company.

Reed Elsevier said Mr Davis, who oversaw the merger last year of Reed International and Elsevier, could receive a further pay-out linked to growth in earnings per share.

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Charter sets new deadline for Esab bid

By Hugh Carnegy in Stockholm

Charter, the UK industrial group, has declined to raise its stalled £260m ($400m) bid for Esab, the Swedish welding group, but extended its original offer for two weeks to August 26 in the hope of a change of mind by reluctant Esab shareholders.

The UK company said it had received acceptances at its offer price of SKr345 a share worth 53.1 per cent of the voting capital in Esab by last Friday's initial deadline. With shares acquired in the market, Charter is assured of 57.3 per cent of the votes in Esab.

But the bid, recommended by the Esab board, is conditional on Charter receiving 90 per cent acceptances and has been blocked by the rejection of Swedish institutional shareholders who say it is underpriced.

Since the bid was launched in late June, Esab has raised its earnings forecast and its share price has risen as high as SKr365.

The share price has been kept high by the widespread expectation in Stockholm that Charter will raise its offer. But Charter has so far refused to budge from its insistence that the bid price – which at the time it was laid represented a 20 per cent premium – is based on a fair valuation of Esab, the world's largest supplier of welding equipment.

Extension of the deadline to August 26 will at least give Charter more time to try to persuade Swedish minority shareholders that the bid is reasonable. It still has behind it the acceptance of Incentive, the Wallenberg family industrial group which is Esab's controlling shareholder.

But the institutions, sensing Charter's reluctance to pull out of the takeover, argue that at the least, the premium in the original bid has been wiped out and should be restored in a revised offer. Charter may be calculating that this argument will be undermined by the bearish mood on the Stockholm stock market.

Yesterday, Esab's B shares slipped SKr2.00 to SKr360 in trading interrupted for much of the day by technical problems in the trading system.

China Synthetic Rubber up 36%

By Laura Tyson in Taipei

Taiwan's China Synthetic Rubber, a carbon-black maker, posted pre-tax profits of NT$159m (US$6m) for the year to June 30, up 36 per cent from a year earlier.

First-half revenues rose 25 per cent to NT$395m.

Carbon black is a petrochemical material used in the manufacture of tyres, paints and dyestuffs. Production was lifted by 30 per cent to 83,000 tonnes a year. At the end of this year annual capacity will rise to 92,000 tonnes.

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Workforce to be reduced by 5,600 over three years

Bell Atlantic to post loss after charges of $2.3bn

By Patrick Harverson in New York

Bell Atlantic, the US regional telecommunications group, said yesterday it would take after-tax charges of $2.3bn in the third quarter to cover a write-down in equipment values and a cut in the workforce. The charges mean the group will report a loss for both the quarter and the year.

Most of the charges relate to the revaluation of the old copper-wire telephone network that the group is currently replacing with a digital network able to carry voice, data and video services.

Another $100m of the charges will cover the cost of reducing Bell Atlantic's workforce by 5,600 over the next three years (a quarter of the cuts will come from management positions), while a further charge of $35m to $45m will go towards funding the group's withdrawal from several non-strategic businesses.

Bell Atlantic is the latest of the "Baby Bell" regional phone companies to take a big charge to pay for cost-cutting. Earlier this year New York-based Nynex took a $1.6bn charge and announced plans to cut its workforce by 16,800. Before that, BellSouth and US West both unveiled similar restructurings.

The Baby Bells are slimming in preparation for competition in their local telephone markets and for the development of new businesses such as delivering interactive video, entertainment and information services to customers homes via the phone companies' telecommunications lines.

Although the interactive business is still in its infancy, the regional phone groups are scrambling to forge alliances with entertainment providers.

Bell Atlantic and two other Baby Bells – Nynex and Pacific Telesis – are said to be discussing plans with Creative Artists Agency, the Hollywood talent agency headed by Mr Michael Ovitz, to create a joint venture to deliver entertainment programming to consumers homes. According to the Hollywood newspaper Variety, the venture with CAA would be similar to the recently-announced alliance between three other Baby Bells and the Walt Disney group.

The expansion of the Baby Bells into the interactive entertainment business will require significant investments in new technology. Mr James Cullen, president of Bell Atlantic, said yesterday that the group planned to spend $10bn to $11bn over the next five years on its broadband communications network.

Bell Atlantic's shares fell $⅝ to $56⅞ on the New York Stock Exchange yesterday.

Rate of growth at Toys R Us slackens

By Richard Tomkins in New York

Weak demand in its international stores held back the pace of profits growth to 7 per cent at Toys R Us, the US toy retailer, in the second quarter to July.

Net earnings rose from $35.5m in the comparable period to $38m on turnover up by 10 per cent to $1.45bn from $1.32bn. Earnings per share, boosted by the company's share repurchase programme, rose by 8 per cent to 13 cents from 12 cents.

Mr Michael Goldstein, chief executive, said US toy stores achieved sales growth of 2.2 per cent for the quarter on a store-for-store basis, with strong increases in basic toy merchandise.

By contrast, the international toy stores continued to suffer from local economic conditions and reported sales decreases on a store-for-store basis, except in Canada.

For the first six months, sales were 12 per cent ahead at $2.91bn while net profits were 7 per cent up at $75.6m, and earnings per share were 8 per cent ahead at 26 cents.

Mr Goldstein said the company planned to open about 40 toy stores in the US and 60 internationally this year, including the first stores in Denmark, Sweden and Luxembourg. The Kids R Us children's clothing chain planned to add six stores.

Hang Seng Bank up at HK$3.1bn

By Louise Lucas in Hong Kong

Hang Seng Bank, the Hong Kong banking subsidiary of the Hongkong and Shanghai Banking Corporation, saw net profits rise 13.2 per cent to HK$3.1bn (US$401m) for the first half of 1994, up from HK$2.7bn in the same period last year, but below market expectations.

Directors said operating profits were squeezed by the narrowing of the spread between the best lending rate and the savings deposit rate; the elimination of exchange gains on Hong Kong dollar notes (following the change of the settlement currency to Hong Kong dollars as of late January); and the reversal in the latter half of last year of an over-provision relating to the accrued liabilities of the staff retirement benefit schemes.

Announcing the results, Sir Quo-Wei Lee, chairman, said: "Competition for deposits remained intense, in particular Hong Kong dollar wholesale deposits, and the interest margin was under pressure. In such an operating environment, Hang Seng's result for the first half of 1994 was satisfactory."

The market had been looking for growth in excess of 15 per cent, but disappointment in results from the banking sector had already been signalled by Bank of East Asia, Hong Kong's third biggest listed bank, which last month reported a 12 per cent improvement at the interim stage.

Standard Chartered, the UK-based international bank which is one of Hong Kong's three note issuing banks, added to the gloom in the colony's banking sector last week when it reported a drop in profits from Hong Kong, to £108m (US$167.40m) from £122m.

Hang Seng said government measures to cool property prices, announced in June but signalled in March, had already fed through to a slowdown in mortgage lending. While the measures have brought property prices down between 10 per cent and 15 per cent in recent months, the greater affordability of homes stands to be offset by a rise in interest rates in the second half, Mr Anthony Wong, assistant general manager, said.

The bank is paying an interim dividend of HK$0.60, up 20 per cent on the HK$0.50 paid out last year at the interim stage. However, directors were quick to warn that this should not be construed as an indication of the profit trend in the second half, but rather as a symptom of Hang Seng's strong capital base, reflected by its 27.8 per cent risk asset ratio. Earnings per share stand at HK$1.61 from HK$1.42 in first half 1993.

Provisions for bad and doubtful debts were slashed to HK$43.8m, compared with HK$72.3m in the first half of 1993.

Development Bank of Singapore climbs 14% as loan base grows

By Kieran Cooke in Kuala Lumpur

Development Bank of Singapore (DBS), the island republic's largest bank, has announced pre-tax profits for the six months to end-June of S$311m (US$206m), a 14 per cent rise on the corresponding period last year.

DBS said that group net interest income was S$332m, a rise of 22 per cent. The bank said the increase was due to improved net interest margins and an expansion of the bank loan base.

DBS reported a 47 per cent increase in income on fees and commissions to S$124m, mainly due to higher income from merchant banking and investment banking.

However, the bank reported a sharp drop in other income, including that from securities trading, from S$85m in the first six months of last year to S$46m in the period to June. Activity on the Singapore stock market has declined significantly over the last five months.

DBS made provisions against bad loans of S$58m compared with S$54m in the previous equivalent period.

Per share earnings rose from 61 Singapore cents to 71 cents over the period while the dividend was unchanged at 8 cents.

● Overseas Union Bank (OUB), another of Singapore's main banking groups, has reported pre-tax profits in the six months to June 30 of S$144m, a rise of more than 50 per cent.

Tat Lee Bank, a smaller Singapore institution, reported pre-tax profits for the same period up 69 per cent to S$46m.

DBS, OUB, the United Overseas Bank (UOB) and Oversea-Chinese Banking Corp (OCBC) are Singapore's four main banks. Last week UOB and OCBC reported pre-tax profits up 34 per cent and 26 per cent respectively.

In spite of the healthy earnings picture, analysts say that profit margins are unlikely to continue at the present high level. In particular, they say higher interest rates are likely to curtail demand for housing loans, one of the most profitable areas of Singapore banking activity.

Impala hit by weak price for rhodium

By Mark Suzman in Johannesburg

Impala Platinum Holdings, the world's second largest platinum mining company, has reported a 15 per cent drop in attributable earnings to R170m ($47.4m) for the year ended June, down from R210m the previous year. The drop was largely due to the weak international rhodium price.

Although platinum revenue rose to R1.44bn from R1.23bn and palladium sales increased to R202m from R144m, this was largely due to a 15 per cent depreciation in the rand and improved metals prices. Overall production of both metals declined, with platinum dropping to 1.05m ounces from 1.1m ounces a year ago and palladium to 472,000 ounces from 500,000 ounces.

But a steep drop in the price of rhodium led to a fall in earnings to R285m on sales of 91,000 ounces, from R564m on sales of 95,000 ounces last time.

Capital expenditure increased 27 per cent to R199m from R157m, and the company has continued to improve its cash position, currently at a net positive R21m compared with net debt of R200m at the end of 1992.

Viacom advance helped by contribution from Paramount

By Bronwen Maddox in New York

Viacom, the entertainment group, reported a sharp rise in second-quarter net earnings to $221.7m on the back of strong growth at MTV, the music television channel, and a first contribution from Paramount Communications.

The results, which compare with net earnings of $41.6m in the second quarter last year, also include a $267m pre-tax profit on the sale of Viacom's stake in Lifetime Television.

Mr Sumner Redstone, Viacom chairman, said: "These are great days for Viacom; we have completed our merger with Paramount, we have two runaway film hits in *Forrest Gump* and *Present Danger*, and we are experiencing stellar growth at MTV Networks."

The rise in group revenues to $1.7bn from $496m was helped by a 21 per cent leap in revenues to $198.3m at MTV Networks, which includes the MTV channel.

Sumner Redstone: proclaims 'great days for Viacom'

MTV benefited from growth in advertising and in payments from television stations. However, revenues at Viacom Entertainment, the television production and distribution arm, fell by 15 per cent to $34.4m following a fall in re-run fees from television stations for The Cosby Show, the long-running sit-com of life in a black family.

The second-quarter results reflect the 50.2 per cent stake in Paramount held during the quarter, and are not directly comparable with previous results. The figures include revenues of $1.2bn and pre-tax earnings of $105m from Paramount. Viacom's long-running struggle to take over Paramount was formally completed on July 7, and the third-quarter results will fully consolidate the acquisition.

Second-quarter earnings per share amounted to $1.44 compared with $0.35 in the same period last year. However the group declared a net loss of $232.4m for the six months, or a loss of $1.72 a share, compared with net earnings of $122.6m, or $1.02, in the first half of 1993.

Macronix to build NT$30bn factory

By Laura Tyson

Taiwan's Macronix International, a manufacturer of integrated circuits, plans to build a NT$30bn (US$1.13bn) factory to make eight-inch silicon wafers, which are used in the production of chips.

Construction of the facility would begin in 1995 or 1996, according to Mr Miin Wu, president.

The company plans to list on the Taiwan Stock Exchange later this year.

Cascades back in black at C$2.5m

By Robert Gibbens in Montreal

Cascades, the Canadian-based international paper and packaging group, reported second-quarter net profit of C$2.5m (US$1.8m), or 1 cent a share, a turnround from a loss of C$1.9m, or 7 cents a share, a year earlier.

Sales were C$394m, against C$416m. The figures reflect the sale of part of Cascades Paperboard International and the shutdown of the Duffel boardmill in Belgium.

Cascades bought Paperboard International nearly two years ago and has restructured it, selling assets to repay debt incurred for the acquisition.

Most of the Cascades group's packaging interests in North America and Europe are now part of majority-held Cascades Paperboard International.

First-half profit for Cascades amounted to C$7.7m, or 7 cents a share, against a net loss of C$1.1m, or 8 cents a share. Sales were C$759m, down from C$835m, a fall of 9 per cent.

Mr Laurent Lemaire, president, said the company would contest a fine of C$28m imposed on its Paris-based holding company, Cascades SA, following a European competition commissioners' finding against the European paperboard industry. The commission alleges price-fixing.

NOTICE OF REDEMPTION

MORTGAGE FUNDING CORPORATION NO. 2 PLC

Class B-1 Mortgage Backed Floating Rate Notes
Due August 2023

NOTICE IS HEREBY GIVEN to Bankers Trustee Company Limited (the "Trustee") and to the holders of the Class B-1 Mortgage Backed Floating Rate Notes Due August 2023 (the "Class B-1 Notes") of Mortgage Funding Corporation No. 2 PLC (the "Issuer") that, pursuant to the Trust Deed dated 31st August, 1988 (the "Trust Deed"), between the Issuer and the Trustee, and the Agency Agreement dated 31st August, 1988 (the "Agency Agreement"), between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with the Redemption provisions set out in the Terms and Conditions of the Class B-1 Notes, Class B-1 Notes in the amount of £3,200,000 will be redeemed on 31st August, 1994 (the "Redemption Date"). The Class B-1 Notes selected by drawing in lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

OUTSTANDING CLASS B-1 NOTES OF £100,000 EACH BEARING THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW

Bearer Notes

134	136	138	145	159	192	203	217	277	278
287	343	445	449	480	540	584	628	629	642
729	754	764	834	868	914	1037	1057	1062	1063
1072	1110								

The Class B-1 Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company of New York
60 Victoria Embankment
London EC4Y 0JP

Union de Banques Suisses (Luxembourg) S.A.
36-38 Grand-rue
L-2011
Luxembourg

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
B-1040 Brussels, Belgium

Morgan Guaranty Trust Company of New York
55 Exchange Place, Basement A
New York, New York 10260-0023
Attn: Corporate Trust Operations

In respect of Bearer Class B-1 Notes, the Redemption Price will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all unmatured coupons and talons appertaining thereto. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at the specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class B-1 Notes which are the subject of this Notice of Redemption.

MORTGAGE FUNDING CORPORATION NO. 2 PLC
By: Morgan Guaranty Trust Company
as Principal Paying Agent
Dated: 16th August, 1994

NOTICE

Withholding of 31% of gross redemption proceeds of any payment made within the United States is required by the Internal Revenue Code of 1986 and amended by the Energy Policy Act of 1992 unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class B-1 Notes to the paying agency's New York Office.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 16.08.94 Pool purchase price £/MWh	Final Prices for Trading on 18.07.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.34	13.36	15.56
0100	10.84	10.05	10.05
0130	10.84	10.05	10.05
0200	10.84	10.05	10.05
0230	10.84	10.05	10.05
0300	10.84	10.05	10.05
0330	10.84	10.05	10.05
0400	10.84	10.05	10.05
0430	10.84	10.05	10.05
0500	10.84	10.05	10.05
0530	10.45	10.43	10.43
0600	10.45	10.45	10.45
0630	10.45	10.45	10.45
0700	16.19	25.97	28.15
0730	16.82	25.98	28.16
0800	16.82	26.10	28.33
0830	18.27	26.41	28.73
0900	21.06	27.18	29.71
0930	33.68	28.06	30.80
1000	37.76	39.22	42.07
1030	38.65	39.42	42.31
1100	28.28	28.98	31.92
1130	33.82	33.73	36.80
1200	33.91	33.90	36.90
1230	33.88	33.21	36.13
1300	33.79	32.18	34.88
1330	28.19	27.06	29.53
1400	22.91	28.73	29.12
1430	22.80	26.56	28.90
1500	22.89	26.46	28.78
1530	22.89	26.42	28.73
1600	22.80	28.73	29.13
1630	22.96	34.28	36.78
1700	52.40	34.36	36.86
1730	52.38	33.93	36.33
1800	52.31	27.99	30.25
1830	22.85	23.07	25.26
1900	17.98	23.03	25.22
1930	16.90	22.40	24.59
2000	14.03	22.40	24.58
2030	14.03	22.40	24.58
2100	16.90	11.00	11.00
2130	24.60	22.40	24.58
2200	24.60	22.40	24.58
2230	16.90	22.40	24.58
2300	16.90	22.40	24.58
2330	16.82	21.35	23.53
2400	13.09	22.40	24.56

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8:30am and 5:15pm Monday to Friday.
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INTERNATIONAL CAPITAL MARKETS

US Treasury prices hold steady in light trading

By Frank McGurty in New York and Antonia Sharpe in London

US Treasury bond prices held fairly steady in light trading yesterday morning as the market braced itself for a move by the Federal Reserve to raise short-term interest rates.

By midday, the benchmark 30-year government bond was 1/32 lower at 99 21/32, with the yield rising to 7.501 per cent. At the short end, the two-year note was unchanged at 99 25/32 to yield 6.226 per cent.

With the Fed set to convene its regular policy-making session today, most traders were convinced that a rate increase was inevitable.

Last week's data on inflation and retail sales, coupled with the continued strength of the employment market, provided ample evidence for the central bank to tighten credit conditions for the fifth time this year, according to most analysts.

Yesterday's economic news did nothing to undercut that view.

The Fed announced that industrial production had grown by 0.2 per cent last month, while capacity utilisation – an important barometer of incipient price pressures – held steady at 83.9 per cent.

While the July figures represented a slowdown from July, the figures were still well above a level which would suggest the economy had shifted into low gear.

However, the reaction to the data was muted, as a rate increase appeared to be already priced into Treasury bonds. Bond prices dipped on the news but edged back soon afterwards.

The only outstanding question, so far as most traders were concerned, is whether the central bank will lift the Federal Funds rate by 25 or 50 basis points.

A more aggressive move, which might include an increase in the discount rate, could prove to be a positive development for bonds at the inflation-sensitive long end of the maturity range.

Analysts said a 50-point increase would not only demonstrate the central bank's vigilance against inflation but would not leaving the market wondering if yet another small rate increase was just around the corner.

GOVERNMENT BONDS

Still, most analysts were expecting the Fed to take the more cautious option.

"There is still too much uncertainty regarding the economy's performance for the Fed to firm by more than 25 points," said Mr Elliot Platt, an economist at Donaldson, Lufkin & Jenrette, the New York securities house.

■ The public holiday in many parts of Europe crippled trading in the government bond markets which were open for business yesterday.

However, dealers are preparing themselves for a sudden increase in activity in the event of the US Federal Reserve raising interest rates today.

"This is an important week for bond markets despite the deceptively quiet atmosphere," said Ms Wendy Niffikeer, senior analyst at IBJ International.

The market is also waiting for interest rate guidance from the Bundesbank which is due to resume its fortnightly council meetings on Thursday after the four-week summer break. The scheduled run of four fixed-rate repos, set at 4.85 per cent, comes to an end this week.

Ms Niffikeer said the market's attention had shifted away from a rate cut in Germany, following last week's interest rate rises in Italy and Sweden.

Nevertheless, she believed that a decision to keep the repo fixed at 4.85 per cent would be damaging to an already fragile market. "Any cut in the repo would be favourable," she said.

The market is clearly divided about the Bundesbank's intentions.

Ms Alison Cottrell, international economist at Midland Global Markets, believes that the gap of 35 basis points between the repo and the discount rates, although wide in theory, may be too tight to allow the Bundesbank to return to its preferred variable repo rate.

"In the absence of an official rate cut, do not expect the repo rate to look too dissimilar to 4.85 per cent – whether fixed or variable," she advises.

Mr Holger Fahrinkrug of UBS in Frankfurt says a return to variable repos should be seen as confirmation that the Bundesbank sees scope for a further discount rate cut. "On balance, we expect a positive signal on more policy easing," he forecasts.

Activity in both cash and futures markets was quiet yesterday. On Liffe, the September bund future was virtually unchanged at 91.57 with 56,338 contracts traded. The September long gilt future rose 1/32 to 100⅞ in paltry volume of 16,515 contracts.

The Bank of England said two tranches of index-linked bonds totalling £200m were exhausted yesterday. Dealers estimated that as much as 90 per cent of the £500m worth of outstanding taps was still unsold.

However, Mr Ifty Islam, fixed-income strategist at Merrill Lynch, said the Bank was not overly concerned about getting the taps done quickly since it was well ahead in its funding needs.

Emerging market debt trading jumps

By Tracy Corrigan

Trading volume in emerging market debt reached almost $2,000bn in 1993, more than twice the volume recorded in the previous year, according to a survey by the Emerging Markets Traders Association (EMTA).

Growth was concentrated in the market for Brady bonds (LDC bank loans repackaged as bonds). Trading in these bonds in 1993 increased fourfold to $1,000bn, representing about 52 per cent of overall market volume, up from 34 per cent in 1992.

Trading in secondary market loans reached $273bn in 1993, up from $229bn in 1992, marking a decrease in market share from 31 per cent in 1992 to 14 per cent last year.

"Investors in 1993 responded to opportunities created by the completion of Argentina's Brady deal, progress toward debt restructuring in Brazil and other nations, widespread economic and political reform throughout Latin America and in Russia and Eastern Europe, the North American Free Trade Agreement (Nafta), as well as low US interest rates," said Mr Alexis Rodzianko, a managing director of Chemical Bank and chairman of the EMTA.

However, the turnround in the US interest rate cycle in February sparked a sharp sell-off in debt markets, which severely undermined confidence in the emerging markets. As a result, the same sort of growth rate is unlikely to be achieved this year.

Volume in emerging market derivative instruments rose by nearly 275 per cent last year, as trading in debt options grew from $15bn to $57bn.

The survey also showed that the debt instruments traded have become more geographically diverse, as traders and investors searched for the next market likely to offer the sort of gains realised in Latin American debt in the early 1990s.

Consequently, Russia and Eastern European debt trading rose to $86bn, or 4.4 per cent of the market, from $26bn. Africa's share also rose to 4 per cent (12 countries) from 2.8 per cent (six countries) with trading volume up 300 per cent to $79bn.

The survey of 70 financial institutions was conducted by Price Waterhouse.

Traders count cost of Confederation Life

By Tracy Corrigan and Conner Middelmann

With little other activity to distract them, those traders and investors who were at their desks yesterday were busy trying to analyse their position with regard to bonds issued by Confederation Life, the Canadian insurance company placed in the hands of government regulators last week.

Market-makers are no longer making prices in bonds issued by Confederation Life and its subsidiaries, given the uncertainty surrounding their value.

Bonds issued by other Canadian insurance companies have also been hit, with prices marked down by up to 4 points, although most traders were not bidding for paper.

"Confederation Life's fate has made people more nervous about the (Canadian insurance) sector generally, and investors have been looking for bids," said one market-maker, adding that few bids have been forthcoming.

INTERNATIONAL BONDS

He also said that his firm had received a number of enquiries from vulture funds, looking to see how cheaply they could pick up paper, but there had been little sign of any buying.

According to dealers, the Confederation Life group has three deals outstanding in the sterling bond market: Confederation Treasury Services, guaranteed by Confederation Life, has a £100m issue of 9¼ per cent notes due 1997, arranged by SG Warburg, and Confederation Life has a £100m issue of subordinated bonds due 2003, arranged by Barclays de Zoete Wedd. In addition, Confederation UK Holdings has a £50m deal due 2004 arranged by SG Warburg.

In the Canadian dollar sector, Confederation Treasury Series, guaranteed by Confederation Life, has a C$100m issue due 1997.

The subordinated bonds are the weakest credit, as they will rank below other types of debt when any pay-out is made.

Until August 8, the senior bonds were rated A by Standard & Poor's, the credit rating agency. They were then downgraded to BBB and on Friday dropped to D, which means interest payments are in default or jeopardised.

Meanwhile, the primary eurobond market ground to a halt yesterday, with large parts of Europe closed for the Assumption Day holiday.

Moreover, the few remaining market participants were lying low ahead of today's meeting of the US Federal Open Market Committee. "Although the market has largely priced in a rate hike, no one wants to anything before the meeting," said one syndicate manager.

All this, and the general summer apathy, should keep the flow of new issues to a minimum, traders said, with only a handful of small deals expected in some sectors, such as Canadian dollars and Japanese yen.

Merrill to issue warrants on commodities index

By Conner Middelmann

Amid growing investor interest in commodities, Merrill Lynch is due to issue 5m call warrants this week on its new Energy and Metals Index (ENMET), which it launched in late July.

The pricing for the European-style warrants will be decided on Thursday, but under current conditions the strike price would be $83.60, the index's spot value yesterday, with an issue price of $5.62 per warrant.

The warrants are targeted at both fixed-income and equity fund managers seeking a diversification tool or a way to hedge their real rate of returns, said Merrill Lynch.

Commodities have become increasingly popular, due in part to improved fundamentals in key commodity markets, the poor performance of other asset classes – especially fixed income, their positive correlation to broad inflation indices and their negative correlation to stocks and bonds.

ENMET includes six commodities grouped in three sectors: energy (West Texas Intermediate crude oil, natural gas), precious metals (gold, silver) and base metals (aluminium, copper), and is based on the nearest traded futures contracts.

In two weeks, Merrill Lynch also plans to issue two short-term structured notes linked to the index.

ABN-Amro to expand

ABN-Amro hopes to double the size of its derivatives operations by 1998, Reuter reports from Amsterdam.

"Derivatives will be the growth engine for the investment bank in the coming years," said Mr Dolf van den Brink, the bank's head of treasury and fixed income.

The bank, the biggest in the Netherlands, aims to double its front office staff to at least 200 people over the next four years as it builds up its foreign derivatives operations.

Derivatives are a capital and risk-management intensive business and ABN-Amro intends to keep control firmly in Amsterdam. However, most of the expansion will take place abroad as it builds up derivatives capacity in Chicago, London, Hong Kong and Singapore.

Longer term, the aim is to use these centres as hubs to grow fully-fledged derivative operations in a wider range of the countries where it is active, Mr van den Brink said.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	96.7900	+0.500	9.50	9.49	9.33
Belgium		7.250	04/04	-	-	-	7.97	7.81
Canada *		6.500	06/04	83.5500	-0.150	9.07	9.03	9.00
Denmark		7.000	12/04	87.9500	+1.050	8.82	8.22	8.12
France	BTAN	8.000	05/98	102.6250	-	7.15	6.81	6.58
	OAT	5.500	04/04	85.1000	-	7.74	7.38	7.25
Germany Bund		6.750	05/04	98.8600	+0.090	7.20	6.89	6.84
Italy		8.500	04/04	82.8000	-	11.50†	10.57	10.50
Japan	No 119	4.800	06/99	103.0400	+0.410	4.05	3.93	3.63
		4.100	12/03	96.8060	+0.160	4.62	4.63	4.40
Netherlands		5.750	01/04	90.1000	-	7.23	6.96	6.78
Spain		8.000	05/04	82.1000	-	11.08	10.30	10.37
UK Gilts		6.000	08/99	90-08	-	8.43	8.14	7.79
		6.750	11/04	87-09	-2/32	8.63	8.35	8.13
		9.000	10/08	102-20	-	8.67	8.42	8.26
US Treasury *		7.250	05/04	99-21	-3/32	7.30	7.27	7.22
		6.250	08/23	84-07	-8/32	7.61	7.53	7.53
ECU (French Govt)		6.000	04/04	85.1500	-	8.28	7.87	7.73

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	4.43	Two year	6.24
Prime rate	7¾	Two month	4.69	Three year	6.59
Broker loan rate	5½	Three month	4.51	Five year	6.96
Fed.funds	4 5/16	Six month	5.13	10-year	7.30
Fed.funds at intervention	-	One year	5.60	30-year	7.50

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) August 12

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	113.68	114.04	-1.02	114.28	112.90	264,749	104,834
Dec	112.80	113.20	-1.00	113.36	122.20	6,292	19,028
Mar	112.10	112.56	-0.94	112.64	121.00	35	3,581

■ LONG TERM FRENCH BOND OPTIONS (MATIF) August 12

Strike Price	Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
113	1.50	2.60	-	0.55	2.30	-
114	0.90	1.80	-	0.83	2.85	-
115	0.45	1.50	-	1.43	3.36	-
116	0.19	0.95	-	2.15	3.96	-
117	0.08	0.80	-	3.00	4.60	-

Est. vol. total, Calls 32,222 Puts 99,403. Previous day's open int., Calls 355,535 Puts 331,008.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.69	91.51	-0.07	91.82	91.38	45544	143277
Dec	90.70	90.64	-0.10	90.73	90.58	733	27170

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
9150	0.56	0.63	0.92	1.13	0.55	1.49	1.78	1.99
9200	0.33	0.47	0.73	0.92	0.82	1.83	2.09	2.28
9250	0.18	0.33	0.57	0.75	1.17	2.19	2.43	2.61

Est. vol. total, Calls 5451 Puts 9325. Previous day's open int., Calls 278706 Puts 264456

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	96.84	-0.03	-	-	0	78

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.20	98.27	+0.47	98.45	97.29	9275	89561
Dec	96.15	97.10	+0.46	96.33	96.15	105	2021

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
9800	1.14	2.49	0.87	3.39
9850	0.87	2.27	1.10	3.67
9900	0.64	2.08	1.37	3.98

Est. vol. total, Calls 823 Puts 1648. Previous day's open int., Calls 38783 Puts 35593

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) August 12

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	87.25	87.98	-1.10	88.10	86.90	64,256	100,486
Dec	87.20	87.15	-4.90	87.20	86.60	425	1,670

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	100-28	100-21	-0-01	100-31	100-11	16534	111113
Dec	100-09	100-06	-0-02	100-09	100-05	123	3410

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
100	1-17	2-48	0-39	2-38
101	0-45	2-17	1-03	3-05
102	0-22	1-53	1-44	3-41

Est. vol. total, Calls 859 Puts 2736. Previous day's open int., Calls 71204 Puts 60062

Ecu

■ ECU BOND FUTURES (MATIF) August 12

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	81.70	81.72	-1.34	82.26	81.14	1,002	7,162
Dec	-	81.32	-1.34	-	-	-	231

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	102-20	102-20	-0-05	102-27	102-19	459,827	359,828
Dec	101-28	101-27	-0-05	102-01	101-26	26,706	80,591
Mar	101-05	101-06	-0-04	101-07	101-05	434	4,882

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	107.94	-	-	107.98	107.93	123	0
Dec	106.88	-	-	106.99	106.88	906	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Mon Aug 15	Day's change %	Fri Aug 12	Accrued interest	xd adj. ytd		Low coupon yield Aug 15	Aug 12	Yr. ago	Medium coupon yield Aug 15	Aug 12	Yr. ago	High coupon yield Aug 15	Aug 12	Yr. ago
1 Up to 5 years (24)	120.34	-0.02	120.36	1.94	6.91	5 yrs	8.52	8.51	6.36	8.66	8.65	6.46	8.78	8.77	6.66
2 5-15 years (21)	138.37	-0.04	138.59	1.71	8.54	15 yrs	8.59	8.59	7.15	8.73	8.71	7.29	8.96	8.97	7.51
3 Over 15 years (9)	154.36	-0.11	154.52	1.84	8.24	20 yrs	8.56	8.55	7.28	8.73	8.71	7.37	8.82	8.81	7.54
4 Irredeemables (6)	175.86	+0.13	175.63	3.05	7.36	Irred.†	8.65	8.66	7.43						
5 All stocks (60)	136.23	-0.04	136.36	1.85	7.97										

Index-linked							Inflation 5% Aug 15	Aug 12	Yr. ago	Inflation 10% Aug 15	Aug 12	Yr. ago
6 Up to 5 years (2)	185.63	-0.03	185.69	0.44	3.95	Up to 5 yrs	3.92	3.89	2.79	2.92	2.89	2.07
7 Over 5 years (11)	172.98	+0.27	172.50	0.82	3.25	Over 5 yrs	3.86	3.88	3.31	3.69	3.70	3.15
8 All stocks (13)	173.41	+0.24	172.99	0.78	3.30							

Debentures and Loans						5 year yield Aug 15	Aug 12	Yr. ago	15 year yield Aug 15	Aug 12	Yr. ago	25 year yield Aug 15	Aug 12	Yr. ago
9 Debs & Loans (75)	128.09	+0.01	128.25	3.12	6.08	9.73	9.72	7.80	9.68	9.65	8.16	9.59	9.59	8.31

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 15	Aug 12	Aug 11	Aug 10	Aug 9	Yr ago	High*	Low*
Govt. Secs. (UK)	91.11	91.17	91.57	92.17	92.26	102.10	107.04	90.98
Fixed interest	109.13	109.88	110.64	110.79	111.12	123.81	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug 12	Aug 11	Aug 10	Aug 9	Aug 8
Gilt Edged bargains	84.8	118.2	79.9	130.4	91.9
5-day average	101.0	98.1	90.3	90.0	79.7

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on August 15

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Shorts" (Lives up to Five Years)						
Treas 9pc 1994‡‡	8.92	5.50	100⅞	—	[illegible]	100⅞
13pc 1995	11.69	5.78	[illegible]	—	[illegible]	[illegible]
Exch 3pc Gas 90-95	3.05	5.37	[illegible]	—	[illegible]	[illegible]
10¼pc 1995	9.91	6.47	[illegible]	—	[illegible]	[illegible]
Treas 12¾pc 1995‡‡	11.92	6.82	107	—	113⅝	107
14pc 1996	12.80	7.01	[illegible]	—	[illegible]	[illegible]
15¼pc 1996‡‡	13.54	7.28	[illegible]	—	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Treas 11½pc 2001-4	10.28	9.08	[illegible]	[illegible]	[illegible]	[illegible]
Funding 3½pc '99-4	4.83	7.50	[illegible]	[illegible]	[illegible]	[illegible]
Conversion 9½pc 2004	9.10	8.81	[illegible]	[illegible]	[illegible]	103
Treas 6¾pc 2004‡‡	7.74	8.63	87¼	[illegible]	105¼	[illegible]
Conv 9½pc 2005	9.06	8.77	104⅞	[illegible]	125½	103⅛
Treas 12½pc 2003-5	10.36	9.12	[illegible]	[illegible]	[illegible]	[illegible]
7¾pc 2006‡‡	8.35	8.71	[illegible]	[illegible]	[illegible]	91½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes		Yield (1)	Yield (2)	Price £	+ or –	1994 High	1994 Low
Index-Linked	(b)						
2pc '96	(67.9)	2.88	4.06	[illegible]	[illegible]	203⅝	[illegible]
4⅝pc '98‡‡	(135.6)	2.93	3.66	107⅞	[illegible]	[illegible]	[illegible]
2½pc '01	(78.3)	3.45	3.83	[illegible]	[illegible]	[illegible]	163½
2½pc '03	(78.8)	3.54	3.86	161¼	[illegible]	[illegible]	[illegible]
4⅜pc '04‡‡	(135.6)	3.54	3.93	[illegible]	[illegible]	[illegible]	[illegible]
2pc '06	(69.5)	3.59	3.82	167⅞	[illegible]	[illegible]	[illegible]
2½pc '09	(78.8)	3.64	3.84	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

قضايا الاعمال

COMPANY NEWS: UK

Market share rises but sales growth slows in last two months

Argos advances 16% to £15.3m

By Neil Buckley

Argos, the catalogue retailer, said yesterday it had been hit hard by tax increases in April, but was still able to produce a 16 per cent increase in pre-tax profits for the first half from £13.2m to £15.3m.

Turnover for the 24 weeks to June 18 improved by 13 per cent, from £366m to £412.9m. Mr Mike Smith, group chief executive, said like-for-like sales had grown by 9 per cent in the first four months but had fallen to 1.3 per cent in May and June resulting in overall growth of 6.7 per cent.

He said the slower growth after April was due partly to stronger comparative figures and to catalogues being in short supply after heavy demand early in the year, which had signalled an upturn in consumer confidence.

Mr Smith added that the tax increases had made customers more cautious, spending less on consumer durables and more on items such as food and clothing, and occasional luxuries such as holidays and cars.

Trevor Humphries

Mike Smith: tax increases had made customers more cautious

However, in spite of the slowdown in sales growth and lower average ticket prices, Argos had increased market share in most product areas. While increasing its price competitiveness, Argos had held the reduction in its gross margin to 0.2 percentage points.

Like-for-like sales had improved in the last two weeks since the publication of the autumn-winter catalogue, and Mr Smith said he was optimistic about prospects for the second half.

An aggressive store opening programme also contributed to the increase in total turnover. Cost controls and the introduction of new systems helped Argos achieve a 19 per cent increase in operating profits to £11.6m (£9.7m). Net interest received increased from £3.42m to £3.65m.

Three superstores and seven traditional stores were opened during the period with a further 13 being refurbished. A total of 32 new stores should be opened during the year, taking the chain to 348.

Capital spending this year will be about £41m (£29m). However, Mr Smith said this was likely to be the peak of the opening programme, with future openings projected at 25 a year, and annual expenditure between £30m and £35m.

Argos expects to achieve this while continuing to add to its net cash, which averaged £146.3m in the first half.

Mr Smith said the company was examining a number of options, including electronic home shopping and mail order, for future investment, but no decisions had been made.

Earnings per share increased from 2.93p to 3.37p, and the interim dividend increased by almost 13 per cent from 2.35p to 2.65p.

See Lex

Welsh Water to cut 18% of workforce

By Peggy Hollinger

Welsh Water yesterday said it would announce plans for its £55m cash pile in October when it unveils its corporate strategy to investors and analysts.

The group also revealed details of a cost-cutting plan which will mean the loss of 18 per cent of the utility's 3,000-strong workforce.

Welsh, which has one of the strongest balance sheets among the 10 water and sewerage companies, has several options for the cash from buying back shares to expanding its non-regulatory businesses.

Mr Graham Hawker, Welsh's chief executive, implied the preferable option would be to expand the businesses. "If we can use our skills and assets to generate superior returns to shareholders then that's what we should do," he said.

Any diversification would have to be treated cautiously after the group's unhappy experiences as hotels manager and unwelcome investor in Swalec, the regional electricity company.

Welsh also announced yesterday that it planned to shed 550 mostly white collar jobs, in a move designed to help it beat efficiency targets set by the industry regulator last month.

The company was widely regarded to have done well out of the regulator's price review, with annual increases of 0.5 percentage points above inflation allowed to 2000.

The job cuts will result in a £17m provision against profits this year but are expected to bring a similar level of savings over two years.

Mr Hawker said the redundancies included senior managers and head office staff. All would be voluntary and more than half of the proposed cuts had been agreed already. Some 140 people had left between April 1993 and 1994, with a further 230 planned by the end of this year. The balance would leave by the end of the 1996-97 financial year. Savings of between £8m and £9m were expected in the first full year.

Big number, but deferred

Tim Burt and William Lewis look at reaction to Peter Davis's £2.02m compensation package

When Mr Peter Davis, the former co-chairman of Reed Elsevier, returns next week to the London office suite provided by the Anglo-Dutch publishing group, he will more than £650,000 richer than when he left for his holiday.

The 52-year-old executive, who was a leading figure in last year's merger of Reed International and Elsevier, will also be able to contemplate £70,000 of fringe benefits and a retirement cushioned by £1.3m of enhanced pension payments.

His former employers, however, yesterday acted to defuse the potential row over the £2.02m compensation package by pointing out that Mr Davis's bank account would have looked far healthier had he not resigned in a dispute over management responsibilities in June.

"It looks a big number," a senior company source admitted yesterday. "But most of it is deferred payment. We've negotiated a good deal and he's lost out by not staying with us."

The group's lawyers and actuaries have agreed a package which, they claim, reflects Mr Davis's contribution during eight years at the helm of Reed International, a period in which profits almost doubled and the share price climbed from 160p to 805p.

Although the headline figure puts Mr Davis third in the league of executive pay-offs this year – behind the £3.1m paid to Mr John Cahill of British Aerospace and a combined £2.9m payment for two former Lasmo directors – Reed Elsevier claimed to have secured a "conservative" package.

Tony Andrews

Peter Davis: third in league of executive pay-offs this year

A senior company official said the pay-out was below top expectations because of the group's use of mitigation: payments adjusted for Mr Davis's chances of finding another job and early retirement.

The group, which operates a final payment scheme for pensions, is said to have extracted a discount of more than 30 per cent on what Mr Davis would have received had he stayed until he was 60.

"Being blown out of a final salary scheme is very expensive," said one City analyst.

Mr Davis is also receiving enhanced pension entitlements for only two years of his three-year rolling contract.

Nevertheless, the size of those entitlements – worth £650,000 a year – has angered some institutional shareholders.

"The pay off is excessive and difficult to justify, said Mr Michael Taylor, a fund manager at Royal Insurance.

Another, who asked not to be named, said he would be seeking clarification from Reed. "This looks like the pay-off of a man who was asked to leave. We have to find out what exactly happened."

Other institutions have voiced concern at the value of Mr Davis's share options.

The company declined to comment on reports that he had options on more than 180,000 Reed shares, but it admitted he could receive a pay-out "in the event of a significant enhancement of earnings per share" under a long-term incentive scheme.

The Top Pay Research Group, however, said the final package was not excessive.

Mr Peter Brown, the group's chairman, said: "The cash payment is not much more than a year's pay. For those angry at over-compensation, there are better examples than this."

Interest charges cut ADT to $30m

ADT, the electronic security services and car auction group with operations in North America, the UK and continental Europe, saw net profits fall in the second quarter to end-June; due to higher interest and tax charges.

Net income amounted to $30m (£19.3m) against $32.2m, reflecting a $2.5m rise in tax, and a $1.3m loss, compared with a $400,000 profit, from discontinued operations.

Interest expenses amounted to $18.4m, up from $11m; however, disposals have reduced gearing from 153 per cent to 78 per cent.

Total net sales for the quarter rose from $317.5m to $340.8m. Net income per share fell from 25 cents to 20 cents.

For the six-month period, ADT made 38 cents per common share, down from 45 cents, on net income reduced from $58.4m to $57.1m.

Malaya returns to the black

By Paul Taylor

Malaya Group, the USM-quoted motor retailer, yesterday reported a return to profitability in the six months to June 30 and announced a resumption of dividend payments.

Pre-tax profits of £503,000 compared with losses of £153,000 last time on turnover sharply ahead to £73.2m (£15m). The nearly five-fold increase in sales partly reflected recent takeover activity with acquisitions contributing £27.9m of the gain.

Earnings per share were 0.41p, against losses of 0.35p; the group is returning to the dividend list with an interim of 0.25p – the last distribution to shareholders was for the 1989 year.

Acquisitions contributed £353,000 to operating profits of £754,000, which compared with a £82,000 operating loss in the 1993 first half. Net interest payable was £251,000 (£71,000).

Following two acquisitions in May the group said it was on target to assemble the first phase of its dealership grouping in London and the home counties. Malaya now represents 18 franchises in a broad range of specialist and volume marques, with 18 outlets and seven Bodytech accident repair centres.

Commenting on the outlook Mr Keith Goldie-Morrison, chairman, said: "As expected the market has improved during the period and the company has in general enjoyed strong, and in some cases, record order books for August new car deliveries at its dealerships."

Calor responds to fall in shares

Shares in Calor Group, the liquefied petroleum gas distributor, fell 7 per cent, or 20p, to 270p yesterday, following press reports on Sunday about a price war in the bottled gas market which threatened "to undermine Calor", which has a 50 per cent share of the market.

Calor responded yesterday, saying the market for bottled gas remained "very competitive", but it believed it was "currently maintaining market share, with pressure on margins being matched by cost reductions and operating efficiencies."

The shares recovered to close down 9p at 281p.

Calor is due to announce its results for the six months to June 30 on September 14.

Storm shares decline by 31%

By Clare Gascoigne

Shares in the Storm Group, which is involved with intellectual property rights relating to toys and cartoon characters, lost 5½p to close at 12½p, a fall of 31 per cent, after Sunday press reports described by the company as containing "a range of ill-founded statements and material inaccuracies".

Mr Jim Driscoll, chairman, said he could not comment in greater detail as the group was considering further action. "We are obviously very worried by the fall in the share price."

The USM-quoted group recently raised £2.3m with a placing and open offer.

Pre-tax profits for the year to end-December were £122,000, compared with losses of £2.1m restated in accordance with FRS 3. Turnover fell from £6.04m to £5.23m but there were operating profits of £311,000 (£2.03m losses), after much lower exceptional debits of £107,000, against £2.05m.

Takare rises 35% and defends its accounting

By Peggy Hollinger

Mr Keith Bradshaw, chairman of Takare, yesterday defended the nursing home group's accounting policies as it announced a 35 per cent increase in pre-tax profits to £9.4m for the six months to June 30, on sales 22 per cent higher at £42.5m.

"Within the sector we are not soft on accounting policies," Mr Bradshaw said. "We are hard on them and always have been."

Takare's share price has been hit in recent months by concerns over its depreciation and capitalisation of interest policies.

The group, like many other nursing home operators, does not depreciate the value of its homes. It also capitalises the interest costs of building the homes – adding that value to its fixed assets – for up to three months after opening. Others in the sector stop capitalising when the home opens.

Mr Bradshaw said since the group only opened homes on a phased basis, it was justifiable to stop capitalising costs in an equally phased manner.

On depreciation, Mr Bradshaw said: "If you have a company that does not revalue and which expenses the maintenance and refurbishment of assets, to depreciate on top of that would be understating the performance of my company."

Mr Bradshaw was confident the group would allay fears about its profits through continuing growth. "We are filling our beds faster than ever before," he said.

This was in spite of the Community Care Act which has introduced means testing for potential residents and was expected to hit companies such as Takare catering for the state-funded resident.

Takare was stepping up its expansion programme, with 1,500 and 1,800 extra beds planned for this year. Some 900 were already under construction. The group had 5,610 beds in operation at the end of the period, against 4,770 last time, with a 97.5 per cent occupancy rate.

The increase in profits was largely fuelled by the increased number of beds. Price inflation was about 2 per cent, Mr Bradshaw said.

The £68m rights issue last September helped Takare cut interest costs from £1.7m to £243,000. About £1.6m was capitalised.

The interim dividend is increased by 14 per cent to 0.8p. Earnings, depressed by the rights, fell by 0.3p to 6.4p.

● **COMMENT**

Mr Bradshaw's robust defence of accounting policies has failed to set the ghosts to rest. While the group's potential for growth remains encouraging, particularly next year when the capital spending comes through, the dispute about what is conservative accounting for a nursing homes group will never be far from most investors thoughts. Whatever Mr Bradshaw may say, this will have to be thoroughly addressed. Forecasts are for profits this year of £20.8m, putting the shares on a prospective p/e of almost 16. This looks up with events in the short-term, but next year's prospects make the shares look more attractive.

Huntingdon shares shed 9p after third quarter decline

By Jean Marshall

Shares in Huntingdon International Holdings fell 9p to close at 65p after the life sciences group announced a drop in pre-tax profits from £10.1m to £3.34m in the nine months to end-June. Revenue, net of subcontracts, fell from £115.6m to £109.2m.

For the three months to June 30, the fall was from £4.32m to £774,000 on revenues of £35.7m (£38.7m).

Mr Ian Campbell, chairman, said the nine-month results were disappointing. Although current trading was stronger in all operating groups, he said it was unlikely there would be an overall improvement in the fourth quarter.

In May, the group said it would concentrate on its life sciences business and Mr Campbell said yesterday that discussions were under way with potential purchasers for both its US engineering and environmental services business and for Travers Morgan, its UK-based consultancy.

For the nine months there were losses of £299,000 (£2.77m profits) from US engineering while Travers Morgan contributed just £183,000 (£1.89m).

Life sciences slipped to £5.83m (£6.6m) as a result of price competition, lower-than-anticipated throughput and increased unit costs. However, the installation of new equipment had been speeded up at Huntingdon Research Centre and additional staff recruited. Also, both forward orders and quotations were now 13 per cent ahead of last year with orders from Japan and the US considerably higher.

Mr Campbell added that having initiated a "comprehensive restructuring" of the group, he intended to step down once a replacement had been found.

Deluxe solution to a growing problem

Alan Cane on why a UK banking software company preferred getting a US parent

Growth from technology

The Software Partnership, Cheshire-based and uncompromisingly British, had every intention of staying that way when it set out to find a buyer towards the end of last year.

A specialist in banking software, which last year reported pre-tax profits of £1m on turnover of £5.6m, it sought a buyer for two reasons; it wanted access to international markets and it needed a partner with deep pockets to underwrite both its expansion and ambitious research and development programme.

However, in June this year it was bought for an undisclosed cash sum by Deluxe Data Systems, the electronic funds transfer subsidiary of Deluxe Corporation, the US cheque printer. DDS has revenues of about $100m (£65m) and its parent is one of the 300 largest corporations in the US with revenues of $1.7bn.

Mr Nigel Walsh, co-founder and managing director, said he was happy with the outcome but regreted a suitable UK parent could not be found.

He had ruled out a flotation, arguing that software houses generally fare badly on the stock market, and was disappointed by the attitude of large UK electronics groups.

"They looked at us from the point of view of the balance sheet and were prepared to acquire us on that basis. They did not seem to understand our technology or to have a strategy after acquisition."

Mainland European groups were not much better, seeing the company chiefly as a bridgehead into the UK market. In the end, it was Broadview Associates, the US-based mergers and acquisitions specialist, which identified DDS as a suitable parent.

The deal seems more of a merger than a takeover, despite the discrepancy in size. Mr Walsh and co-founder Mr Ian Booth will continue to run Software Partnership in Runcorn, now recast as DDS's international headquarters.

A third co-founder, Mr Howard Hanson, has been given charge of DDS's global research and development programme. Mr Brian Eadie, formerly Software Partnership's sales director, is now sales development director for the group.

Mr James McGowan, DDS chief executive, emphasised the synergy between the two companies. "Not only have we acquired a first class set of products to complement our own solutions, but we have also gained a highly experienced team with a solid understanding of the international financial marketplace."

Nigel Walsh: "UK companies did not understand our technology"

Deluxe Corporation has been printing cheques since 1915 but is seeking to become less reliant on what is a maturing market.

DDS, formed in 1961, is part of this programme. It provides processing services and software for electronic banking.

According to Mr McGowan, Deluxe should have revenues of $4bn by the end of the century of which DDS's share should be some $500m.

The acquisition of Software Partnership fills an important gap in its strategy.

"Within the decade, financial institutions will tailor their electronic delivery systems to the individual . . . screen phones, personal computers and interactive televisions will be used alongside automated teller machines and point-of-sale terminals," said Mr McGowan.

"With the Software Partnership software, we now have the key piece needed to help institutions reconfigure their systems and move to the cutting edge of direct banking."

Banks and financial institutions using Software Partnership products include Barclays and the National & Provincial Building Society.

It was ahead of its time in realising that electronic delivery of banking services would take a diversity of forms and that the secret of rapid and economic development of new services was a common design allowing any device, such as a telephone, personal computer, or television, to connect to any banking system or application. It is essentially a building block approach.

Now Software Partnership is the latest building block in Deluxe's growth strategy. It seems unlikely that Mr Walsh and his team will have much time or inclination for regrets that the Stars and Stripes rather than the Union Flag hangs over their corner of Cheshire.

A previous article in this series appeared on August 10.

NEWS DIGEST

Enlarged Epwin rises 41%

Epwin, a manufacturer of PVC-u windows and doors, made substantially higher profits in the six months to July 2.

On turnover up 18 per cent to £29m, pre-tax profits rose 41 per cent, from £1.75m to £2.47m.

Mr Jim Rawson, chairman, said the group, which moved into North America with the purchase of 50 per cent of Canadian Berlinex Polymers in April, was "broadening its spread of activities". The acquisition in June of Permadoor, a manufacturer of composite doors, was the first step in this process. The group financed both purchases, which cost £6.75m, from reserves and with a £4.3m placing.

Earnings per share were 7.54p (5.68p), and an interim dividend of 2.7p (2.3p) is declared.

Alliance Trust net assets slip 8%

Alliance Trust reported an 8 per cent fall in net asset value to £19.55 per share at July 31, against £21.33 six months earlier. The figure, however, showed an improvement on the £18.46 at end-July 1993.

Net available revenue for the six months increased from £12.2m to £12.6m, while earnings per share were 24.98p (24.1p). The interim dividend is stepped up to 15p (14.5p) and an increased final is forecast.

All-round growth lifts Relyon 34%

Relyon Group, the beds and polyurethane foam manufacturer which also supplies surveillance equipment, improved pre-tax profits by 34 per cent, from £1.94m to £2.6m, in the half year to June 30.

All three of the subsidiaries had contributed to the increase, Mr Ralph Platt, chairman, said. Turnover amounted to £22m, against £20.3m which included £390,000 from discontinued operations.

Earnings per share rose from 6.15p to 8.23p and the interim dividend is lifted to 2.1p (1.9p).

Serif losses rise sharply

Serif, the specialist printing and packaging group, saw pre-tax losses widen sharply from £494,000 to £913,000 in the first half of 1994, on turnover of £9.18m, against £8.7m.

Mr Richard Harrison, chairman, said the second half was expected to show an improvement, but a profit for the period was not anticipated.

He said the result reflected rationalisation costs and implementation of the reorganisation started towards the end of 1993, the benefits of which were taking longer to materialise than hoped.

Losses per share, on capital increased by November's £4.9m rights issue, were 1.2p (2p).

Manders expands in Australasia

Manders, the coatings and printing inks group, is to acquire the printing inks operations of Skellerup Group, based in New Zealand and Australia, mainly trading as Morrison Printing Inks.

Its turnover for the year to June 30 was NZ$46m (£17.9m) and profits before interest and tax NZ$3.9m.

Admiral links up with Powersoft

Admiral, the information technology services, products and training group, has formed a partnership with Powersoft Corporation, the developer of the PowerBuilder Enterprise series of application development tools.

Powersoft has paid Admiral £2.1m for a 51 per cent share in the partnership to which Admiral has contributed the business of the distribution and provision of support, maintenance and training for the client-server products made by Powersoft.

Beazer Homes sells N Ireland operation

Beazer Homes, the housebuilder floated on the main market by Hanson in March, has completed the sale of the Northern Ireland operations of John Mowlem Homes to Ladyhill Holdings for £2m cash.

Beazer acquired John Mowlem Homes in July for £31m and said at the time that negotiations for the disposal of the Northern Ireland business were under way.

Horace Small 71% ahead to £0.95m

Horace Small Apparel, the maker of fitted uniforms and corporate clothing formerly known as United Uniform Services, lifted pre-tax profits by 71 per cent from £553,000 to £945,000 in the half year to June 30.

Turnover improved by 7 per cent to £35.7m (£33.5m).

Earnings per share advanced to 3.7p (1.3p). However the company is not paying an interim dividend (1p).

Portmeirion ahead 18% to £1.88m

Portmeirion Potteries (Holdings) reported profits of £1.88m pre-tax for the six months to June 30 – an 18 per cent rise on the comparable £1.59m.

Turnover from continuing operations expanded some 12 per cent to £12.7m (£11.4m).

The interim dividend goes up from 2.25p to 2.5p, payable from earnings of 11.85p (9.88p) per share.

Acquisitions boost London Industrial

Acquisitions helped London Industrial, the property investment company, report pre-tax profits for the three months to June 30 more than doubled at £485,200, against £197,100.

Turnover increased from £1.55m to £2.18m with rental income contributing £1.74m, against £1.29m. Earnings per share came out at 4.7p (3.4p).

Strategy of maintaining existing branch network to be reviewed

Midland advances to £443m

By John Gapper, Banking Editor

Midland Bank will re-examine its strategy of maintaining its branch network and keeping senior managers in branches if it fails to attract sufficient new income to compensate for the cost, the bank said yesterday.

Sir William Purves, chairman of Midland and its parent company HSBC Holdings, said that it wanted to use its 1,740 branches to increase its market share in the UK, but "it remains to be seen if we have got it right".

The strategy of putting managers back into local branches and keeping a strong network was set by Sir Brian Pearse, the bank's previous chief executive. Sir Brian retired earlier this year, and was succeeded by Mr Keith Whitson.

Trevor Humphries

Keith Whitson: provisions would rise as lending growth resumed

Midland disclosed a £58m rise in pre-tax profits to £443m for the half year to June 30, but an 11 per cent drop in operating income to £1.5bn (£1.68bn).

It lost £6m – before expenses – in securities and foreign exchange dealing compared with a £296m profit.

Net interest income rose by 7 per cent to £897m (£840m), but non-interest income fell by 29 per cent to £599m (£840m). "The biggest worry in clearing banking must be that revenue is simply not growing as fast as overheads," said Sir William.

Operating expenses were flat at £1.04bn, but the ratio of costs to income rose to 69.6 per cent (61.9 per cent). This is above the HSBC group target of 60 per cent, and Mr Whitson said he hoped that the figure would fall next year.

Sir William said he believed the 2.5 per cent pay rise imposed on Midland's 45,000 staff was fair despite ballots on a series of one-day strikes organised by Bifu, the banking union which represents 13,900 Midland staff.

Mr Whitson said Midland had made gains in its credit card business, and had increased its share of the UK mortgage market.

He said the pressure on margins had been limited except in lending to big companies, but he expected that pressure to grow.

Provisions for bad and doubtful debts fell to £54m (£321m), including a net release of £45m related to less developed country lending. Mr Whitson said he expected the provisions figure to rise somewhat when lending growth resumed.

Midland made a £65m profit from reducing its equity shareholding in 3i, the venture capital company formerly owned by banks, from 17 per cent to 8 per cent.

The profit will be realised in the second half's financial accounts.

Assets weighted by risk rose to £48.2bn (£42.9bn) and the tier 1 ratio of core capital to risk-weighted assets stayed at 6.5 per cent.

Midland paid a £106m dividend (£50m) to HSBC out of unchanged attributable profit of £282m.

Earnings per share amounted to 34.6p (35.4p).

See Lex

BOC buys Dutch group for £10.8m

By Clare Gascoigne

BOC, the industrial gases and healthcare company, has bought a Dutch equipment supplier for Fl 29.4m (£10.8m).

The Calumatic group, which supplies filling, sterilising and capping lines to the pharmaceutical industry, will be integrated with Edwards Freeze Drying, part of BOC's vacuum technology division and a supplier of freeze driers to the pharmaceutical industry. The acquisition will be funded by cash, a proportion of which is deferred and contingent on future performance.

Mr Danny Rosenkranz, managing director, said the acquisition "allows us to develop our freeze-drying business". The new business, BOC Edwards Calumatic, will be able to provide complete packaging solutions for a variety of injectable formulations.

BOC is implementing a three-year restructuring, and made an £85m provision in its latest accounts, £60m of which was for the healthcare business. It reported a fall in pre-tax profits to £169.3m, compared with £261.6m, in the nine months to June 30.

BOC shares rose 7p to 732p.

Bank of Ireland sells UK finance house for £25m

By Tim Coone in Dublin

Bank of Ireland, one of the two main clearing banks in the Irish Republic, has sold its UK finance house subsidiary to a consortium of UK-based asset finance specialists for £25.7m.

British Credit Trust was originally acquired in 1978, and at its peak had £400m in leased assets and hire purchase agreements. However, Bank of Ireland decided to withdraw from the general instalment credit business in 1990, when the industry was incurring heavy losses, and has since run down BCT's book to £8m.

The bank said the sale ended its involvement in the instalment credit business in the UK. Bank of Ireland's strategy in the UK is to develop its branch banking and mortgage finance businesses.

Mr Roger Gewolb, one of the directors of the consortium that has bought BCT, said: "The asset-based financing business is now undergoing something of a renaissance and it is a good time to acquire the right sort vehicle to build up a business."

BCT had been well-managed by Bank of Ireland, he said, and offered good potential "both through organic growth and acquisition".

The company will focus on commercial and consumer finance in the middle and small-ticket leasing and hire-purchase sectors.

The consideration for BCT included secondary collectables, properties and cash, in addition to the primary loan book.

"We paid very little in goodwill," Mr Gewolb said.

Bank of Ireland said it had received more than the book value of BCT.

SeaCon net income at £6.4m and asset disposal considered

Sea Containers, the Bermuda-based leisure, ferry and container leasing group, reported flat net income of $10m (£6.4m) compared with $10.4m, for the second quarter to end-June. Profits before income tax fell from $11.2m to $10.7m.

For the six-month period, profits before income tax fell from $14.4m to $3.44m, although the company said the comparison was distorted by the fact that in the first half of 1993 it made a substantial gain on the sale of a factory, as well as significant foreign exchange profits.

Revenue for the quarter rose from $102.8m to $114.2m, while for the six-month period it increased from $183.9m to $199.5m.

Mr James Sherwood, president, said the board had decided not to go ahead with its previously announced share offering, as the current share price is too low and market conditions too weak. However, he said it was considering an asset sale later in the year.

Andrews Sykes net assets cut by £4m after valuation

Andrews Sykes Group, the specialist industrial services company, announced yesterday that since the 1993-94 results were announced, on August 1, the result of an actuarial valuation of its UK pension schemes had been received resulting in a drop in the current surplus from £5.9m to £2.4m.

The company said that the valuation reinforces the board's belief that it was inappropriate to bring this surplus onto the balance sheet, where it had been held since 1990, as it did not represent a readily available tangible asset.

As a result, final results for the year will include a prior year adjustment to reflect a change of accounting policy, excluding the brought forward surplus from the balance sheet.

The loss before tax of £4.7m and the gearing ratio of 256 per cent (excluding the surplus) are unchanged, but net assets at March 31 are reduced by £4m to £6.7m.

NEWS IN BRIEF

ASPEN COMMUNICATIONS has agreed to acquire Litharne, a magazines publisher, for an initial £550,000, to be satisfied by the issue of 323,530 new ordinary shares. Further payments of up to £1.7m are profit-related.

AUTOMATED Security Holdings' Californian subsidiary, API Security, has agreed to sell its residential alarm base for $2.3m (£1.48m). In addition, Sonitrol Management Corporation, a subsidiary of ASH, is to purchase the client base of Sonitrol Eugene (Oregon) for about $2.7m.

BULLERS has placed 4.45m shares (9.99 per cent of its equity capital) at 11.7p apiece with Gladerange Executive Pension Scheme and clients and associates of Slater Investments. Proceeds will be used to supplement working capital and fund expansion.

CELTIC GOLD plans to enter into a call option agreement with a group of Coyle Hamilton shareholders, under which Celtic will have the right to buy 293,637 ordinary shares in Coyle (42 per cent) at I£15 (£14.85) per share at any time up to January 31 1995.

DENCORA has bought a 112-year lease on Spectrum House, Basingstoke, for £2.64m. The consideration will be satisfied by the issue of 785,000 shares to the vendor, Hill Samuel Property Unit Trust, which have been placed with institutions, and by existing bank facilities. Current rent receivable is £305,000 a year and the annual ground rent is £61,000.

EUROPEAN MOTOR Holdings shareholders have applied for 13.5m new ordinary shares, representing 90.2 per cent of the open offer.

EXCALIBUR has received applications in respect of 12.6m new ordinary shares, representing about 83.6 per cent of its rights issue.

FENCHURCH has acquired Christopher James and Partners, a financial consultancy, for a total of £660,000, to be paid in two instalments.

FINELIST GROUP: recent rights issue accepted by provisional allottees or their renouncees in respect of 10.9m shares, representing 99.6 per cent of offer.

IAWS GROUP has bought the entire share capital of Unifood, the Irish baking ingredients supplier, from Irish Biscuits. Net assets acquired are valued at I£100,000 (£988,000). Unifood's pre-tax profit for 1993 was I£258,000.

JACKSON (WM) & Son: Pre-tax profit up from restated £580,000 to £4.64m for the year to April 23, on turnover ahead from £151.3m to £161.7m. Earnings per share 158.7p (86.6p).

KITTY LITTLE: open offer closed with applications received for 5.44m new ordinary shares, 49.1 per cent of the offer.

ROSKEL has paid £260,000 for two more distribution branches, in Manchester and Sheffield.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Alliance Trust	int	15	Oct 7	14.5	-	47
Argos	int	2.85	Nov 14	2.35	-	8
Epwin	int	2.7†	Oct 24	2.3	-	7.5
HSBC	int	8	Nov 18	7	-	23.5
Malaya §	int	0.25	Sept 30	nil	-	nil
Relyon	int	2.1	Oct 3	1.9	-	5.2
Takare	int	0.8†	Oct 3	0.7	-	2.1
US Smaller Trust	fin	0.5	Oct 14	0.3	0.5	0.3

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Implats

Impala Platinum Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration Number 67/01979/06)

Extracts from Chairman's Statement and Audited Results for the year ended 30 June 1994

[illegible]

strengthening in the free market prices of platinum and palladium

weakness in nickel prices and a further collapse in the rhodium market

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Consolidated Income Statement (R millions)

	1994	1993
Turnover	2 183,7	2 213,9
Cost of sales	1 824,0	1 838,4
On-mine operations	1 442,3	1 451,5
Refining operations	263,4	269,9
Other costs	96,0	85,8
Decrease in stock	22,3	31,2
Income from the supply of metals mined	359,7	375,5
Capital expenditure on current productive capacity	88,4	80,6
Income from platinum mining	271,3	294,9
Other income	13,7	25,6
Net financial income	2,8	21,0
Income before taxation	287,8	341,5
Lease, royalties and tax	70,4	114,0
Tax effect of expenditure on future productive capacity	59,5	42,9
Income after taxation	157,9	184,6
Share of net income from associates	13,3	16,7
Outside shareholders' interest	(1,1)	(0,6)
Attributable income	170,1	200,7
Extraordinary items	26,4	14,3
Appropriation for expenditure on future productive capacity	52,4	34,5
Transfer to non-distributable reserves	25,1	42,8
Distributable income for the year	66,2	109,3
Retained income brought forward	163,4	141,2
Reserves available for distribution	229,6	250,5
Dividends declared	87,1	87,1
Distributable reserves	142,5	163,4
Shares in issue (millions)	62,2	62,2
Earnings per share (cents)	273	323
Dividends per share (cents)	140	140

Consolidated Balance Sheet (R millions)

	1994	1993
Ordinary shareholders' interest	2 666,3	2 556,6
Outside shareholders' interest	122,9	175,4
Provision for environmental obligations	31,5	31,5
Long-term liabilities	302,7	328,1
Deferred taxation	60,9	66,4
Capital employed	3 184,3	3 158,0
Fixed assets	2 337,1	2 324,0
Investments	611,5	586,8
Net current assets	235,7	247,2
Assets employed	3 184,3	3 158,0

For and on behalf of the board

J M McMahon
Director

M V Mennell
Director

Declaration of final dividend

A final dividend of 95 cents per share in respect of the year ended 30 June 1994 has been declared payable to members registered in the books of the company on 2 September 1994. The register of members will be closed from 5 to 16 September 1994, inclusive. The dividend is declared in the currency of the Republic of South Africa. Payments from the United Kingdom transfer office will be made net of Non-Resident Shareholders' Tax in United Kingdom currency at the rate of exchange ruling on 19 September 1994 or on the first day thereafter on which a rate of exchange is available.

Dividend warrants will be posted on 29 September 1994.

The full conditions of payment may be inspected at the offices of the transfer secretaries of the company.

By order of the board
Implats Services (Proprietary) Limited
Secretaries
Per

H J Gaylard *Group Secretary* 12 August 1994

The combined effect of the variables highlighted above is a reduction in profit on metal sales by 4% (although profit/ounce of platinum is unchanged).

Total capital for the year has been increased by 27% to R199 million which changes the 4% reduction in income from supply of metals to an 8% decrease in the total income from platinum mining to R271 million.

The contribution from financial and other income is R30 million less, resulting in an income before taxation of R288 million, 16% lower than last year. This fall in profits plus the increase in capital expenditure, reduces lease, royalty and taxation obligations by over a third to R70 million.

The higher level of capital expenditure on future capacity is reflected in the increase of 39% to R60 million in the tax effect of that expenditure, which, coupled with a reduction in income from Western and Eastern Platinum gives an attributable income for the year of R170 million, 15% lower than last year. After making the necessary transfers to non-distributable reserves, distributable income at R66 million is 39% lower than last year.

The sale of Ayrton Metals for R62 million (including the premium over nett asset value) was a significant contributor to the change from last year's nett debt of R120 million to nett cash of R21 million. The balance of this turnaround relates to an operationally cash positive performance and close monitoring of working capital.

Based upon a solid operational performance and expectations of some small improvement in trading conditions, the Directors have decided to maintain the dividend at 140 cents per share.

Safety

In July 1993 Bafokeng North Mine set a new industry record of 4 776 105 fatality free shifts, and has had just one fatal accident in the past three financial years. During the year eight employees lost their lives in mine accidents, as compared to eighteen in the previous year. A high proportion of our accidents relate to the change in mining methods as the mines become more mechanised, and much effort is being applied to training and standards in these areas.

Mining and Metallurgical Operations

The mining operations continue the drive towards higher efficiencies and lower costs based largely on mechanisation projects. Hand shovelling was largely eliminated during the year and about 60% of stopes are now fully mechanised to industry norms.

Refineries

During the next three years the Precious Metals Refinery will be upgraded and refurbished at a planned expenditure of approximately R425 million. These changes are expected to bring Impala's Precious Metals Refinery to world class standards with significantly less capital expenditure than would be required for a new refinery.

During the year R15,5 million was spent on environmental improvements, resulting in significant reductions in noise, gaseous and liquid emissions. A further R14,5 million is expected to be spent in the coming year, during which the important milestone of zero liquid effluent status will be reached.

Political Events and Industrial Relations

Financial year 1994 was one of industrial peace with Impala being the only platinum mine in South Africa not to have a strike during the revolution in Bophuthatswana and the election period.

The reincorporation of Bophuthatswana cleared the way for Chief Edward Lebone Molotlegi to re-establish his effective leadership of the Tribe. Mr George Molotlegi has resigned, as the Tribe's nominee, from the board of Impala Platinum Limited. Impala has entered into confidential discussions with the Tribe's representatives aimed at restoring the relationship between the company, the Chief and the Tribe. Shareholders will be further informed as these discussions progress.

The Reconstruction and Development Programme

Implats' commitment to date to the broad objectives of the new government's RDP include: R25 million to develop 2 500 housing stands near to the mining operations; R31 million over the next three years for full-time literacy training; affirmative action targets aimed at more than 40% of skilled and supervisory jobs, and a third of middle and senior management positions being filled by black people by the year 2000; and R25 million per annum in the development of comprehensive medical facilities covering all employees.

Prospects

The economic revival in the western world, and in particular the return to health of the North American automobile industry are encouraging. The greater use of palladium instead of platinum in autocatalysts has however dampened considerably the prospects for our primary metal, and although ongoing growth in platinum consumption is still certain, this growth is less than the supply side expansions of recent times.

While expectations are of dollar price stability at about current levels and on-going improvement in our cost structure, lack of clarity about metal supplies from Russia suggest caution. On balance, it would be realistic to expect performance next year to be moderately better than the year covered in this report.

Michael McMahon
Chairman 12 August 1994

Registered Office
3rd Floor Unicorn House, 70 Marshall Street, Johannesburg 2001
(P.O. Box 61386, Marshalltown 2107)

Transfer Secretaries

South Africa:
Mercantile Registrars Limited, 6th Floor,
94 President Street, Johannesburg 2001
(P.O. Box 1053, Johannesburg 2000)

United Kingdom:
Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

COMMODITIES AND AGRICULTURE

Silver market retreats to seven-month lows

By Kenneth Gooding, Mining Correspondent

Silver prices dropped in London yesterday to the lowest levels for nearly seven months following a sharp plunge in New York late on Friday caused mainly by heavy trade selling.

The silver price was "fixed" in London at \$5.05 a troy ounce, its lowest since January 28. It was also nearly 3 per cent below Friday's "fix" and 12 per cent below this year's peak of \$5.74¾ an ounce reached on March 24. The price recovered slightly to close in London last night at \$5.08¼, down 6 cents from Friday's close.

Dealers cited various technical factors for Friday's drop in the price for September delivery on the New York Commodity Exchange. Silver's failure to break through the technical resistance level at \$5.20 an ounce had disappointed some speculators, they said.

Mr Ted Arnold, analyst at Merrill Lynch, suggested that silver was more likely to fall below \$5 an ounce in coming months than rise to the \$6 some US hedge and commodity funds were said to be targeting earlier this year. "There are signs that the Swiss and the Arab syndicates are begining to feel that a more aggressive short selling technique may pay dividends in coming weeks," said Mr Arnold in Merrill's latest Base & Precious Metals Report. The Swiss seemed to be aiming to drive down the silver price first to \$5.15, then to \$5.07 and finally \$4.95 an ounce. Mr Arnold forecast that in the next two or three months silver would trade between \$4.50 and \$5.60 an ounce.

PNG gold mine back in operation

By Kenneth Gooding

The Porgera gold mine in Papua New Guinea, one of the largest in the world outside of South Africa and an important source of revenue for the PNG government, resumed full production at the weekend.

Operations were halted on August 2 by an explosion at an explosives facility near the mine which killed 11 people.

On Saturday Sir John Kaputin, PNG's Minister of Mining and Petroleum, gave approval for full production after recommissioning processes last week confirmed that the mine and plant were operating safely.

Placer Pacific, the project manager, says it will take several months to repair the damage to the mine. Porgera produces nearly 1.5m troy ounces of gold annually and, apart from collecting royalties, the government has a 25 per cent stake.

Jamaica increases bauxite production

By Canute James in Kingston

Jamaica's output of bauxite (aluminium ore) in the first half of this year reached 5.81m tonnes, 8.4 per cent more than the first half of last year, while alumina (aluminium oxide) production rose 14.2 per cent to 1.61m tonnes, according to the Jamaica Bauxite Institute.

The rises mainly resulted from capacity expansion by Alumina Partners of Jamaica, the island's biggest refiner.

Conference seeks accord on high seas fishing

By Alison Maitland

Fishing nations are being urged to sink their differences and agree an international treaty governing catches on the high seas in an attempt to halt serious over-fishing.

Over the next two weeks, a United Nations conference in New York will seek common ground between coastal states, whose territorial waters contain 80 per cent of the world's fish, and distant-water fishing nations such as Japan, Spain and Russia, which have large fleets operating on the high seas.

Tensions between these two groups have risen as stocks of valuable species such as cod have dwindled.

The UN Food and Agriculture Organisation says the global fishing fleet increased at twice the rate of the world marine catch between 1970 and 1990, compounded by government subsidies worth some \$54bn a year to fishing fleets.

Stock losses have led some countries to halt or reduce fishing effort – Iceland has cut back domestic fishing by 50 per cent.

The problem is exacerbated by unregulated fishing fleets flying flags of convenience and subject to no country's rules.

Canada, one of the coastal states most concerned about the impact of high seas fishing on the catch in its territorial waters, seized a foreign fishing vessel outside its waters last April, saying the crew were "modern day pirates stealing Canada's cod and keeping 30,000 Canadian fishers out of work".

There is not yet any overall international regulation of the world's high seas fisheries – those beyond coastal states' 200-mile exclusive economic zones – although multinational agreements exist in certain regions. The North West Atlantic Fisheries Organisation, for example, is supposed to cover high seas stocks off Canada.

The UN conference was initiated by the Rio Earth Summit in 1992 and started work last year to try to close these gaps in the 1982 UN Convention on the Law of the Sea.

This month's meeting is scheduled to be the final session.

Fish do not obey artificial geographical limits and the "highly migratory and straddling" stocks covered by the conference are those species found within two or more states' territorial waters or the adjacent high seas.

Cod off eastern Canada and pollack in the Bering Sea, for example, straddle several countries' waters, while species such as tuna and swordfish migrate over huge distances. Coastal states want a dominant role in regulating fishing for these species, whereas the long-distance fishing nations are seeking international regulation.

Mr Satya Nandan, the Fijian chairman of the conference, has drawn up principles for a treaty, including provision for enforcement, compulsory and binding settlement of disputes, and acceptance of scientific evidence on the state of fish stocks as the basis of the agreement.

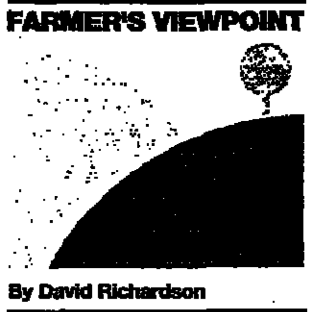
Some participating nations believe conflicting interests make agreement on an all-embracing treaty unlikely. They suggest, however, that one important loophole – Panama's issue of flags of convenience – may be closed if a convention can be drawn up stating that countries may issue flags and fishing rights only for their own territorial waters.

"It appears Panama would agree to co-operate," said an official from a European Union member state. In exchange, Panama would be offered tariff concessions on fish exports to the EU.

Pig cycle gets stuck in low gear

UK prices have now been below break-even levels for 12 months

FARMER'S VIEWPOINT



By David Richardson

Pig farming has always been a notoriously cyclical affair, but the present down-swing in prices has been deeper and much longer than usual and is causing severe pain in the sector.

A year ago this week the average ex-farm price for finished pigs was just over 105p a kilogram deadweight. It had fallen sharply during the previous six weeks to that level, which was generally recognised to be about the break-even price on efficient farms. The decline continued through last autumn and winter and although there was some recovery during the spring and summer of this year the price consistently failed to reach the break-even point.

Since then it has dropped back again, to 96.45p last week. Moreover the average all pigs price (AAPP), calculated weekly by the Meat and Livestock Commission from a mix of open market and contract deals, has failed to reach a profitable level during the whole of the past 12 months.

We pig keepers are used to our charges being either "copper or gold" as the cycle of production and price revolves. But a full year of heavy losses is an extreme situation and has resulted in many business failures. Just how many pig producers have been forced out of business is not yet known but there must now be significantly fewer of us than the 11,800 operating across the UK in June 1993.

It is not just farmers who have lost money on pigs. Many abattoir operators claim to have had similar problems and some have gone out of business. Some of those that remain have had to cancel or modify minimum price contracts half way through their term and still more have assessed the situation and refused to continue with such contracts.

Feed companies too have reduced their exposure to the vagaries of the pig market. In the past most major companies financed the breeding and feeding of large batches of pigs, employing farmers as contractors and paying them a share of the proceeds for the use of their buildings and labour. The system locked in guaranteed feed business for the manufacturers and reduced capital involvement for farmers while at the same time providing them with an income. This kind of vertical integration was never popular with traditionalists but it served its purpose for the parties involved.

Now, however, following substantial losses during the past 12 months, most feed manufacturers are reducing their involvement in such schemes or pulling out altogether.

The single major exception appears to be BOCM Pauls, which earlier this year took over the 100,000-head-a-year Louis Dreyfus operation and is also reported to have agreed to buy 6,000 sows from Unigate, which were farmed by its Malton Bacon Factory subsidiary. BOCM Pauls is now thought to control the production and marketing of some 1.5m pigs per year – about 10 per cent of the UK total. The company is almost alone among major feed suppliers in expressing its faith in the future of pig rearing.

The disillusionment of the others is hardly surprising. For while the incomes of most other sectors of UK agriculture have been boosted by the devaluation of sterling and associated increases in EU prices, pig farmers have had virtually no such assistance. Indeed rises in the ex-farm price of cereals increase the cost of pig feed, thereby raising further the break-even point for pig production. The combination of currency devaluation and a potential shortage of feed grain because of poor yields across Europe has increased the price of feed grain by £12 to £15 a tonne above expectations in the UK this harvest.

The problem is not confined to the UK but affects most of the main pig producers of Europe. A few months ago, in response to the crisis, the French government allocated special aid to its pig farmers, which was later judged to be illegal under European Union law. In Germany a few days ago the average pig price was similar to that in the UK at the equivalent of 97.5p a kilogram deadweight and in Holland it was even lower at 89.7p. On the reasonable assumption that production costs across the EU are similar, it must also be assumed that pig farmers in those countries are losing substantial amounts on every animal they produce.

However, better news may be just around the corner. At last, it seems, there is a reduction in the number of pigs coming to market. Losses, which were at their highest last November, led to a reduction in the number of sows kept for breeding. The resulting cut in births, the MLC believes, is about to feed through to the supply of finished pigs and this should boost prices. Indeed spot, open market prices have already strengthened a little and this could be the beginning of the recovery.

The MLC forecast some months ago that the AAPP would reach 100p a kilogram deadweight by August and 110p by October. The August forecast cannot now be achieved by the end of the month and in view of that the October prediction now seems too optimistic. Even so a rise into profit does appear to be on the cards in the relatively short term – and very welcome it will be too. If MLC forecasts are to be believed, prices should hold above break-even levels through the autumn and for at least the first half of 1995.

Goodness knows, after 12 months of losses, they need to. And I expect that, unlike most feed companies, we on this farm will carry on farming pigs for the time being. However, an exodus of big companies that have been committed to pig rearing for many years is bound to make us wonder if we are right to do so.

MARKET REPORT

Russian shipment fears undermine nickel prices

Fears of increased Russian NICKEL shipments arriving in London Metal Exchange warehouses and re-deliveries of Russian metal taken out earlier by Chinese operators helped undermine prices yesterday. Bearish chart patterns also played a part as the LME three months price slipped \$112.50 to \$5,677.50 a tonne.

COPPER traded at the lower end of its expected \$2,400-\$2,450 range throughout the day as prices struggled to overcome rising LME stock levels, which is a normal occurrence during the slow summer period.

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Cash	3 mths
Close	1454-4.5	1483-4
Previous	1462-3	1490-1
High/low	1454	1490/1475
AM Official	1450.5-1.5	1479.5-80.0
Kerb close		1477-8
Open int.	N/A	
Total daily turnover	N/A	

■ ALUMINIUM ALLOY (\$ per tonne)

	Cash	3 mths
Close	1570-80	1585-70
Previous	1568-73	1568-73
High/low	1560	1565
AM Official	1560-1	1555-60
Kerb close		1560-5
Open int.	N/A	
Total daily turnover	N/A	

■ LEAD (\$ per tonne)

	Cash	3 mths
Close	550-1	568.5-9.0
Previous	556.5-7.5	575-5.5
High/low	546/545	574/564
AM Official	545-5.5	564-4.5
Kerb close		572-3
Open int.	N/A	
Total daily turnover	N/A	

■ NICKEL (\$ per tonne)

	Cash	3 mths
Close	5585-95	5675-80
Previous	5695-705	5785-95
High/low		5740/5655
AM Official	5580-5	5675-80
Kerb close		5650-60
Open int.	N/A	
Total daily turnover	N/A	

■ TIN (\$ per tonne)

	Cash	3 mths
Close	5125-35	5200-10
Previous	517-80	5245-50
High/low		5250/5186
AM Official	5120-25	5196-200
Kerb close		5210-20
Open int.	N/A	
Total daily turnover	N/A	

■ ZINC, special high grade (\$ per tonne)

	Cash	3 mths
Close	939-40	963-3.5
Previous	943-4	967-8
High/low		964/961
AM Official	937-7.5	961-2
Kerb close		961-2
Open int.	N/A	
Total daily turnover	N/A	

■ COPPER, grade A (\$ per tonne)

	Cash	3 mths
Close	2400-02	2411-13
Previous	2408-9	2412-3
High/low	2398/2397.5	2420/2403
AM Official	2397.5-8.0	2409-10
Kerb close		2414-16
Open int.	N/A	
Total daily turnover	N/A	

■ LME AM Official £/\$ rate: 1.5427
LME Closing £/\$ rate: -

Spot:1.5425 3 mths:1.5400 6 mths:1.5369 9 mths:1.5331

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Aug	108.60	+0.15	108.80	108.60	302	131
Sep	108.60	+0.15	108.85	108.35	21,932	5,302
Oct	108.55	-	108.75	108.75	777	21
Nov	108.50	-0.15	109.10	109.10	555	-
Dec	108.45	-0.30	108.50	108.45	15,798	2,218
Jan	108.15	-0.40	-	-	377	63
Total					45,580	7,842

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	\$ price	£ equiv.
Close	377.10-377.60	
Opening	376.60-377.00	
Morning fix	376.45	243.547
Afternoon fix	376.60	243.754
Day's High	377.25-377.50	
Day's Low	376.00-376.50	
Previous close	377.25-377.75	

Loco Ldn Mean Gold Lending Rates (Vs US\$)

1 month	4.02	6 months	4.50
2 months	4.11	12 months	4.91
3 months	4.13		

Silver Fix	p/troy oz.	US cts equiv.
Spot	327.05	505.00
3 months	331.35	510.75
6 months	336.30	517.40
1 year	348.15	532.65

Gold Coins	\$ price	£ equiv.
Krugerrand	382-385	247-250
Maple Leaf	387.30-389.75	-
New Sovereign	88-91	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Aug	376.9	+1.0	376.9	376.9	346	16
Sep	378.0	+1.0	-	-	23	30
Oct	379.5	+1.0	379.4	377.8	9,453	799
Dec	382.4	+0.9	382.5	381.0	93,590	29,509
Feb	385.8	+0.9	385.6	384.7	11,506	338
Apr	388.2	+0.5	-	-	6,231	171
Total					156,242	32,124

■ PLATINUM NYMEX (50 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Oct	413.8	+0.9	415.0	411.5	18,464	2,048
Jan	416.8	+0.9	418.0	414.5	3,508	265
Apr	420.0	+1.2	420.0	418.8	1,632	1
Jul	422.5	+1.1	-	-	401	-
Oct	425.0	+1.1	-	-	103	-
Total					24,306	2,314

■ PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Sep	153.90	-0.50	154.00	153.25	3,953	592
Dec	154.10	-0.50	154.10	153.25	2,629	563
Mar	153.60	-0.50	154.00	154.00	233	5
Total					6,815	1,160

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Aug	506.3	+0.2	-	-	-	-
Sep	507.2	+0.2	509.5	504.0	69,095	18,766
Dec	514.3	+0.2	516.5	511.0	31,923	4,441
Jan	518.6	+0.2	-	-	34	-
Mar	522.0	+0.2	523.5	519.0	7,038	240
May	527.2	+0.1	527.5	525.0	3,940	1
Total					122,125	23,472

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. \$/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	18.35	+0.30	18.35	17.96	86,271	58,377
Oct	18.29	+0.27	18.30	18.02	72,346	41,760
Nov	18.24	+0.25	18.25	18.00	37,058	13,468
Dec	18.19	+0.23	18.20	17.95	44,496	14,008
Jan	18.10	+0.21	18.12	17.90	26,270	5,586
Feb	18.02	+0.19	18.05	17.85	15,912	1,746
Total					400,572	141,908

■ CRUDE OIL IPE (\$/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	16.99	+0.04	17.14	16.81	57,178	21,914
Oct	17.03	+0.22	17.12	16.91	63,431	21,959
Nov	16.98	+0.20	17.06	16.82	16,682	4,097
Dec	16.90	+0.18	16.96	16.77	16,219	3,841
Jan	16.81	+0.21	16.85	16.70	7,447	1,112
Feb	16.68	+0.18	16.70	16.60	4,705	461
Total					178,402	53,423

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	49.40	+0.83	49.50	48.60	30,638	16,863
Oct	50.20	+0.71	50.30	49.50	21,993	10,161
Nov	51.35	+0.81	51.35	50.60	14,421	4,811
Dec	52.40	+0.74	52.40	51.74	30,995	6,839
Jan	53.00	+0.64	53.00	52.50	16,845	1,569
Feb	53.30	+0.69	53.30	52.90	6,864	1,329
Total					147,039	43,498

■ GAS OIL IPE (\$/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	151.25	-1.50	152.50	150.75	29,608	5,512
Oct	155.00	-1.25	156.00	154.00	20,121	2,734
Nov	157.75	-1.00	158.25	157.00	12,078	1,880
Dec	159.50	-0.75	160.25	159.00	14,998	615
Jan	161.25	-1.00	161.75	160.25	9,967	1,078
Feb	161.50	-0.50	-	-	3,400	-
Total					98,728	11,836

■ NATURAL GAS NYMEX (10,000 mmBtu.; \$/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	1.740	+0.020	1.745	1.710	22,722	9,309
Oct	1.840	-0.002	1.850	1.825	20,751	3,706
Nov	2.030	-0.007	2.030	2.015	12,040	1,564
Dec	2.185	-0.007	2.190	2.180	18,788	1,694
Jan	2.200	-	2.200	2.185	12,278	909
Feb	2.130	-0.002	2.135	2.120	7,803	517
Total					137,718	19,841

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	55.65	+0.43	55.75	55.00	32,868	25,410
Oct	52.85	+0.50	53.05	52.35	18,169	9,317
Nov	51.00	+0.48	51.00	50.40	12,745	3,275
Dec	56.40	+0.28	56.60	56.00	7,639	1,123
Jan	54.85	+0.28	54.90	54.70	3,158	521
Feb	54.20	+0.30	54.20	54.20	2,158	374
Total					77,855	41,020

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	105.30	+0.15	105.30	105.15	365	2
Nov	106.15	+0.20	106.15	105.80	2,293	24
Jan	108.10	+0.20	108.10	107.85	1,853	16
Mar	109.70	+0.30	109.70	109.40	744	30
May	111.90	+0.15	-	-	1,018	-
Jul	113.50	-	-	-	146	-
Total					6,419	72

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	346/4	+4/6	347/0	340/0	14,034	3,151
Dec	362/0	+5/4	363/4	354/6	36,154	10,803
Mar	369/2	+5/4	370/0	362/2	10,220	1,786
May	361/0	+5/2	362/0	355/4	725	113
Jul	341/0	+1/4	341/0	337/4	1,370	206
Dec	352/0	+2/6	-	-	2	-
Total					62,585	16,059

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	217/4	-	217/4	216/2	34,047	5,968
Dec	220/0	-0/6	220/2	218/6	122,670	14,455
Mar	229/2	-0/6	229/2	227/6	26,172	2,969
May	235/4	-1/0	235/4	234/4	10,843	409
Jul	240/0	-1/0	240/0	238/6	8,605	1,176
Sep	241/2	-1/0	241/4	240/4	717	29
Total					209,606	25,353

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	104.35	+0.10	104.35	104.25	145	7
Nov	105.50	+0.15	105.50	105.35	470	15
Jan	106.65	+0.40	106.65	106.50	253	56
Mar	108.25	-	-	-	27	-
May	109.75	-	-	-	1	-
Total					896	78

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	579/2	-6/4	584/0	579/0	4,861	1,106
Sep	565/6	-5/0	569/0	564/4	14,118	2,829
Nov	557/6	-4/0	569/4	555/0	74,439	17,894
Jan	568/6	-3/6	586/0	563/6	12,628	1,691
Mar	575/4	-4/6	577/0	573/0	4,494	581
May	582/2	-4/2	583/0	580/4	3,165	132
Total					122,448	24,757

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	24.04	-0.39	24.37	24.03	2,148	932
Sep	24.01	-0.42	24.25	23.95	20,471	3,654
Oct	23.91	-0.40	24.11	23.86	15,918	2,248
Dec	23.79	-0.38	24.00	23.75	34,920	6,838
Jan	23.80	-0.38	23.95	23.78	4,858	260
Mar	23.81	-0.36	23.95	23.80	5,166	314
Total					89,794	14,282

■ SOYABEAN MEAL CBT (100 tons; \$/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	172.8	-0.1	173.0	171.7	3,929	1,549
Sep	171.8	-0.1	171.9	170.8	19,181	4,675
Oct	170.7	-0.2	170.9	169.6	11,000	1,087
Dec	171.3	-0.1	171.3	170.1	32,780	5,380
Jan	171.8	-0.4	171.9	171.1	4,863	157
Mar	174.0	-	174.0	172.8	5,442	166
Total					82,877	13,028

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	150.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	197.5	-6.3	202.5	197.0	1,215	170
May	210.5	-24.5	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,215	170

■ FREIGHT (BIFFEX) LCE (\$10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	1488	-7	1498	1485	616	11
Sep	1444	-10	1447	1444	613	42
Oct	1446	-14	1458	1446	868	27
Jan	1465	-8	1465	1465	1383	4
Apr	1485	-10	1485	1485	112	5
Jul	1321	-21	-	-	80	-
Total					2,483	89

	Close	Prev
BFI	1501	1488

Tea

The Tea Broker's Association reports, good general demand. Bright liquoring East Africans were well supported at fully firm to dearer rates. Mediums were irregular but generally 2 - 3 pence easier. Ceylons met keen competition at dearer rates, often substantially for improved quality sorts. Kenyas were firm but Ugandas were selective. Quotations best available 170p/kg. nom, good 160p/kg., good medium 140p/kg., medium 120p/kg., low medium 84p/kg. The highest price realised this week was 171p for a Kenya pf.1.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1045	-18	1059	1044	14,844	507
Dec	1065	-23	1081	1063	26,943	1,441
Mar	1091	-17	1102	1088	31,167	514
May	1097	-20	1110	1097	11,119	251
Jul	1106	-20	-	-	4,348	-
Sep	1116	-17	-	-	8,649	-
Total					105,198	2,852

■ COCOA CSCE (10 tonnes; \$/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1406	-16	1418	1399	13,479	4,898
Dec	1457	-15	1470	1452	32,537	8,339
Mar	1491	-8	1500	1488	10,621	3,023
May	1511	-8	1518	1509	3,073	16
Jul	1531	-8	1533	1533	2,387	3
Sep	1551	-8	-	-	1,247	-
Total					68,346	16,354

■ COCOA (ICCO) (SDR's/tonne)

Aug 12	Price	Prev. day
Daily	1069.07	1053.29

■ COFFEE LCE (\$/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	3493	+171	3530	3400	12,361	989
Nov	3430	+157	3475	3400	10,202	2,959
Jan	3398	+135	3440	3365	10,084	1,927
Mar	3358	+110	3372	3340	4,352	1,127
May	3336	+103	3335	3325	1,159	45
Jul	3340	+112	-	-	28	-
Total					38,186	7,057

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	194.00	+12.90	195.25	188.00	8,759	2,548
Dec	198.45	+13.80	199.50	193.00	16,527	3,634
Mar	193.65	+6.00	193.65	193.65	5,494	575
May	194.00	+8.00	-	-	1,916	141
Jul	194.75	+6.00	-	-	425	50
Sep	195.25	+6.00	-	-	120	46
Total					33,602	6,998

■ COFFEE (ICO) (US cents/pound)

Aug 12	Price	Prev. day
Comp. daily	170.85	169.72
15 day average	181.77	183.39

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.08	-0.10	-	-	1,801	-
Jan	11.82	-	-	-	-	-
Mar	11.87	-0.16	-	-	90	-
Total					1,891	-

■ WHITE SUGAR LCE (\$/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	316.50	-1.50	-	-	10,837	831
Dec	313.20	-2.10	-	-	1,308	81
Mar	313.50	-2.00	-	-	4,781	87
May	313.00	-2.20	-	-	416	6
Aug	314.50	-1.70	-	-	391	4
Oct	301.00	-1.70	-	-	186	-
Total					17,919	1,009

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	11.81	-0.09	11.87	11.64	59,870	4,352
Mar	11.76	-0.11	11.83	11.65	38,930	1,216
May	11.70	-0.12	11.77	11.60	9,352	462
Jul	11.63	-0.14	11.71	11.56	3,284	148
Oct	11.47	-0.09	11.53	11.47	1,586	108
Mar	11.19	-0.09	-	-	217	10
Total					113,204	6,294

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	67.27	-2.00	67.60	67.27	5,746	156
Dec	66.55	-2.00	66.55	66.55	26,211	545
Mar	67.85	-2.00	68.00	67.85	7,103	345
May	68.60	-2.00	68.75	68.60	4,417	88
Jul	69.37	-1.53	69.60	69.30	2,803	27
Oct	68.65	-0.15	68.60	66.80	407	6
Total					47,795	1,166

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	95.45	+1.90	95.50	93.50	10,167	1,073
Nov	98.70	+1.80	98.75	96.95	4,038	762
Jan	102.00	+1.50	102.35	100.50	4,084	164
Mar	105.90	+1.90	105.90	104.35	2,514	24
May	108.90	+1.90	-	-	838	-
Jul	110.90	+1.90	-	-	232	-
Total					22,138	2,627

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Aug 15	Aug 12	month ago	year ago
2060.9	2073.1	2150.7	1624.1

■ CRB Futures (Base: 1967=100)

Aug 12	Aug 11	month ago	year ago
229.70	231.59	233.50	213.18

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	70.000	-0.925	71.100	69.900	7,857	1,841
Oct	72.225	-0.950	73.375	72.200	31,695	3,152
Dec	70.225	-1.100	71.425	70.000	14,166	817
Feb	69.475	-0.700	70.425	69.450	9,780	315
Apr	70.875	-0.650	71.725	70.750	6,019	308
Jun	67.750	-0.850	68.700	67.750	1,422	50
Total					71,178	6,289

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	45.400	-0.200	45.500	44.925	1,620	500
Oct	40.325	-0.650	41.000	40.250	11,884	2,493
Dec	40.325	-0.475	40.875	40.250	6,645	1,284
Feb	40.525	-0.300	40.925	40.500	1,994	317
Apr	39.725	-0.075	39.950	39.675	1,282	132
Jun	44.575	-0.125	44.600	44.450	475	26
Total					23,881	4,784

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	31.775	-0.950	32.550	31.725	578	146
Feb	45.125	-0.725	46.050	44.875	6,703	914
Mar	44.850	-0.925	45.950	44.750	403	43
May	45.250	-0.650	46.100	45.100	45	1
Jul	46.275	-0.675	46.350	46.000	80	14
Aug	45.450	-1.100	45.450	45.450	14	2
Total					7,823	1,118

LONDON TRADED OPTIONS

Strike price \$ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1425	N/A	-	-	-
1450	N/A	-	-	-
1475	N/A	-	-	-
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
2350	N/A	-	-	-
2400	N/A	-	-	-
2450	N/A	-	-	-
■ COFFEE LCE	Sep	Nov	Sep	Nov
3250	248	405	5	226
3300	203	379	10	249
3350	161	353	18	273
■ COCOA LCE	Sep	Dec	Sep	Dec
1000	46	108	1	43
1050	10	81	15	66
1100	1	59	66	94
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1700	47	-	60	-
1750	32	-	72	-
1800	20	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Oct)

		+or-
Dubai	\$15.71-5.77t	-0.210
Brent Blend (dated)	\$16.63-6.69	-0.345
Brent Blend (Sep)	\$16.90-6.96	-0.355
W.T.I. (1pm est)	\$18.16-8.19t	-0.150

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	\$210-211	-3
Gas Oil	\$152-153	-1
Heavy Fuel Oil	\$85-87	-1
Naphtha	\$161-163	-2
Jet fuel	\$166-167	-2

Petroleum Argus assessments

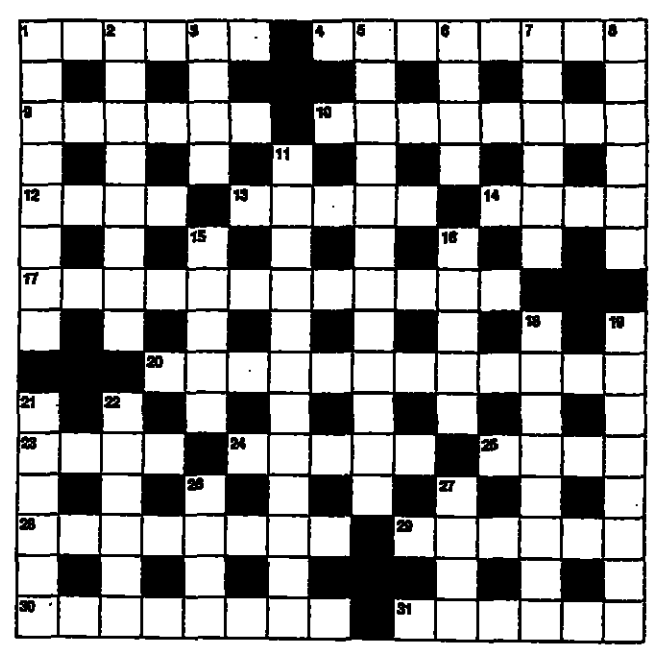
■ OTHER

Gold (per troy oz)♣	\$377.35	-0.15
Silver (per troy oz)♣	506.5c	-6.0
Platinum (per troy oz.)	\$409.75	-3.25
Palladium (per troy oz.)	\$152.00	-1.00
Copper (US prod.)	113.0c	-1.0
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	31.22m	-0.11
Tin (New York)	241.5c	
Cattle (live weight)†©	121.59p	+1.81*
Sheep (live weight)†♠©	93.40p	-0.35*
Pigs (live weight)©	74.96p	-5.64*
Lon. day sugar (raw)	\$306.1	+1.8
Lon. day sugar (wte)	\$346.0	+1.0
Tate & Lyle export	£311.0	+2.0
Barley (Eng. feed)	£106.0	
Maize (US No3 Yellow)	\$142.50	
Wheat (US Dark North)	£180.0	
Rubber (Sep)♥	87.0p	
Rubber (Oct)♥	86.0p	
Rubber KL RSS No1 Aug	323.0m	+1.0
Coconut Oil (Phil)§	\$605.0z	
Palm Oil (Malay.)§	\$557.5w	-2.5
Copra (Phil)§	\$397	
Soyabeans (US)	Unq.	
Cotton Outlook 'A' Index	76.00c	-1.25
Wooltops (64s Super)	444p	+2

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct. z Aug/Sep. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

CROSSWORD

No.8,533 Set by QUARK



ACROSS

1 Item of protest (6)
4 Cad's barb is upsetting; it makes cutting edge (8)
9 Antagonism experienced about new year time? (6)
10 Season not starting with cut-back for criminal investigators (8)
12 Gold back's fine for the bird (4)
13 The old vessel follows the way completely (5)
14 The Scots go as an organised group (4)
17 Writing in pen or ink initially smudged; it can be made up (12)
20 Not in the way of authority? (12)
23 Imminent for group? Only partly (4)
24 Nation, say? (5)
25 The writer's quiet toils (4)
28 Elegant woman making first appearance broadcasting (8)
29 Cry of old measure in London district (6)
30 Demolish a hut on a B road (8)
31 Bit of transport that's out of practice but reliable (6)

DOWN

1 Deliveries prepared past sell-by date? (8)
2 Preserve Australian acacia for the party (8)
3 Shrewd hint about time (4)
5 UN coal target set for compliment (12)
6 We hear university sportsman's puffed (4)
7 A soft fruit to become available to the public (6)
8 Pull hard in the river flood (6)
11 Make a hit with money and get sudden financial gain (6,2,4)
15 Sieve cut short the rock fragments (5)
16 Stupid person wearing extra clothes, say? (5)
18 In addition to sea-walls crumbling (2,4,2)
19 It's at the side of the road, incidentally (2,3,3)
21 'azel for example, coming up in treeless zone (6)
22 Ice to exist in nature (6)
26 Second point to check (4)
27 Equipment stored in large armoire (4)

Solution to Saturday's prize puzzle on Saturday August 27.
Solution to yesterday's prize puzzle on Monday August 29.

LONDON STOCK EXCHANGE

MARKET REPORT

Equity prices slip back after promising start

By Steve Thompson

The final few minutes of what was a relatively subdued trading session on the London equity market saw share prices succumb to bouts of unease over the short term direction of global interest rates.

The FT-SE 100 Index of leading UK stocks finished 0.1 off at 3,142.2, easily outperforming a FT-SE Mid 250 Index which had been dragged down towards the close of trading in the session by a late sell-off in the regional electricity stocks.

But senior traders in the City were by no means dismayed at the start of what promises to be a tension-filled week across global markets, with the US Federal Reserve meeting today to deliberate on US monetary policy and the Bundesbank council scheduled to meet on Thursday to formulate Germany's next moves on interest rates.

Analysts said the market would also have to contend with a long list of crucial economic statistics from the US, Japan and across Europe.

Trading in London got off to a good start, with dealers encouraged by reports in the weekend press that the Bundesbank council could well move to lower German rates on Thursday, and also by positive commentaries on the better than expected interim profits, and dividend performances of many leading UK stocks, such as Barclays and Royal Insurance.

Aiding the initial improvement in equity prices was a solid showing by international bonds, which took heart from a firm performance by US markets last Friday.

The closure of many European bourses and financial centres for the Assumption Day holiday had only a minimal impact on trading, dealers said.

The FT-SE 100 reached the day's best level, 3,156.5, within an hour of the opening, with talk of at least two medium-sized and a number of small programmes weighted to the buy side said to have been partly responsible for the early strength in share prices.

No real selling pressure was evident over the lunchtime and early afternoon period but sentiment began to falter in mid-afternoon as most international bond markets, especially in the US and Germany, began to tick off, taking UK gilts with them.

Yesterday's US economic news on industrial production, manufacturing output and capacity utilisation gave no real lead to the markets. Today will bring data of US housing starts.

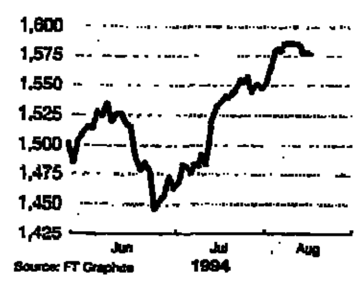
Turnover in London reached 463.1m shares, a figure regarded as creditable by dealers, who pointed out that many institutions were reluctant to take new positions ahead of the US and German decisions on interest rate policy. Activity in non-FT-SE 100 stocks accounted for 277.3m, or just short of 60 per cent of total business.

The head of trading at one of London's leading integrated securities houses said the market had already factored in a rise in the US Fed Funds rate of at least 25 basis points, with a 50 basis-point increase also a possibility. But he emphasised that any rise could well be delayed, possibly to the end of the week. He added that the chances of a German rate cut were "much less than evens".

Bank shares attracted plenty of keen interest, with HSBC shares slipping back as the market pondered the lack of progress in the group's underlying banking profits as opposed to sharply reduced provisions against bad debts.

National Westminster Bank shares, which have suffered badly recently as institutions switched into other banks, were among the FT-SE 100's best performers, as were the international drug stocks, such as Glaxo and Wellcome. The regional electricity issues came in for a sharp bout of profit-taking, with some institutions said to be shifting allocations to some of the other high-yielding areas of the market, such as banks.

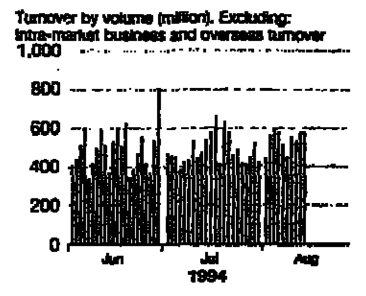
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3142.2	-0.1	FT Ordinary Index	2474.8	+5.6
FT-SE Mid 250	3719.2	-9.6	FT-SE-A Non Fins p/e	19.90	(19.89)
FT-SE-A 350	1588.7	-1.0	FT-SE 100 Fut Sep	3152.0	-7.0
FT-SE-A All-Share	1576.94	-0.84	10 yr Gilt yield	8.76	(8.75)
FT-SE-A All-Share yield	3.79	(3.78)	Long gilt/equity yld ratio:	2.33	(2.33)

Best performing sectors		Worst performing sectors	
1 Breweries	+1.0	1 Gas Distribution	-1.3
2 Health Care	+0.7	2 Tobacco	-1.1
3 Electronic & Elec Eqpt	+0.6	3 Insurance	-0.9
4 Pharmaceuticals	+0.6	4 Property	-0.8
5 Household Goods	+0.5	5 Other Services & Bsns	-0.7

Dealing profits hit HSBC

The sharp fall in dealing profits at international banking group HSBC took the market by surprise, sending the shares tumbling, after it reported favourable interim figures.

Headline profits up 24 per cent at £1.46bn were better than anticipated, but it was the fall in profits from treasury and capital market operations at subsidiaries Midland Bank and HongKong and Shanghai Banking that raised most concern. Analysts were also disappointed by the sharp rise in the tax charge.

The shares fell back sharply and were down 20 at the day's worst before recovering to close 10 off at 749p, as sentiment shifted its focus to the lower than expected bad debt provisions. Volume stood at 6.9m shares at the close.

Several brokers said they would be upgrading full-year profit expectations. That list includes Mr Simon Samuels at Smith New Court who indicated that his current forecast of £2.8bn will be raised to around £3.1bn.

However, he remains cautious on the stock and said: "The concerns raised by the poor quality of earnings in 1993 was further highlighted by these figures. I feel the shares are fully priced at these levels. Hong Kong investors will be concerned about the significantly higher tax charge."

Calor slips

Calor, the bottled gas producer, was a poor performer among the energy stocks following a press report suggesting that Calor had been losing market share because of intense competition and price-cutting in the bottled gas market.

The stock opened sharply lower at 275p, but then embarked on a sustained rally which left it a net 8 off at 282p. The story led to a big increase in turnover in Calor shares. Some 470,000 changed hands, compared with usual volume levels of well below 100,000 per day.

The rally was helped by soothing comments from the company, which insisted that it had maintained market share at around 50 per cent but conceded that there had been pressure on profit margins.

Calor shares have fallen steeply since the start of the year, from 361p in late January to a 1994 low point of 261p in June.

Speculators were active in the drugs sector again, inspiring some chunky volumes and firm movement in selected shares. Wellcome was said to be attracting particular interest, speeding forward 13 to 692p on turnover of 2.2m.

The sector has been buzzing since last month's $8.5bn bid from US drugs group American Home Products for American Cyanamid – the sector's first unsolicited takeover attempt since Roche launched an attack on Sterling six years ago. One leading US broker, Wertheim Schroder, recently put a 900p a share bid value on Wellcome, among a forecast of $40bn worth of merger and takeover activity over the next 18 months.

Takeover chatter also swirled around Reckitt & Colman, spurred on by weekend press speculation that the household goods group was indeed a frontrunner for the corresponding business owned by Eastman Kodak.

Analysts believe the move would make good strategic sense, although fears of a rights issue to fund the mooted $1bn price tag saw the shares come off in early trading. However, they later rallied to close 4 up at 635p.

Brewers were firm as the sector's recent strength was compounded by rumours that the government was at last listening to the industry's big bug-bear – the rate of excise duty.

However, analysts were wholly sceptical that the government would consider a cut in duty, particularly given the political sensitivity of increasing VAT on fuel bills this autumn. This failed to dampen investor enthusiasm from some quarters, with Scottish and Newcastle advancing 5 to 532p, Whitbread 8½ to 560½p, Bass 6 to 574p and Greenalls 4 to 439p.

Granada was the subject of a big bought deal, with SG Warburg said to have been the engineer. According to dealers, the broker took 5m shares on at 507p and was selling them on at 510p. Turnover by the close had reached 10m, suggesting that given the daily average trade in Granada is around the million mark, not all the shares had got away. The price dropped 8 to 513p.

Shares in the regional electricity companies (Recs) ran into profit-taking and fell into retreat. Eastern was the exception with talk in the market of another big buyer around. Last week, a US fund was thought to have been behind the purchase of a 2.9 per cent stake. The shares climbed 3 to 766p.

Dealers pointed out that, given their sparkling run since the Offer document last week, the Recs had lost some of their attraction for income funds and that some sideways trading was likely until some more corporate activity - such as share buy-backs, or takeovers – excited investor interest.

Marginally firmer crude oil prices, coupled with evidence of keen buying from the US, helped the oil majors move ahead.

Shell Transport, which disappointed the market last week in announcing results a little below expectations, advanced to 728p before easing back to close a net 4 up at 724p, while British Petroleum appreciated 3 at 413p.

Among publishing stocks, Telegraph shares were firm following publication on Friday after the market had closed of official figures showing its UK newspaper's daily circulation ahead sharply. The shares advanced 5 to 350p.

A sparkling debut from Pillar Property Investments, coming in the face of a weak property market, saw the shares go to a 7p premium to 157p by the close of trading. Turnover reached 8.6m.

Catalogue retailer Argos receded 7 to 367p after unveiling mildly disappointing interim results. Profits came in line with forecasts, 16 per cent up at £15.3m. Analysts were pruning full-year expectations by around £2m to about £93m.

National Westminster advanced 12 to 462p, after analysts at Strauss Turnbull advised investors to switch into the stock and out of Barclays which shed 3 to 544p.

Reports suggesting that August car sales would fall below expectations hurt dealer Cowie Group, leaving the shares 8 lower at 252p.

The building and construction sector eased slightly after a press report published yesterday suggested that the price of land for residential building in England rose 35.3 per cent in the year to June.

Analysts feared that the rise would hit future profit margins in the sector as Taylor Woodrow and Beazer Homes both retreated 4¼ to 134p and 150p respectively.

MARKET REPORTERS:
Steve Thompson,
Christopher Price,
Joel Kibazo, Saqib Qureshi.

■ Other statistics, Page 18

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (47).
BUILDING & CNSTRN (1) Brandon Hire, CHEMICALS (2) Amber Industrial, Hoechst, DISTRIBUTORS (2) Brammer, Wyko, ELECTRICITY (8) East Midlands, Eastern, Midlands, South Western, Southern, ELECTRNC & ELECT EQUP (7) Alba, Dewhurst A, Emess, Philips, Prico, Do A, Scholes, ENGINEERING (2) Castings, Thyssen, ENG, VEHICLES (2) Airflow Streamlines, Trinity, EXTRACTIVE INDS (2) Coal Invs., Do Wrts., HEALTH CARE (1) Seton, HOUSEHOLD GOODS (1) Swallowfield, INSURANCE (1) Lombard, INVESTMENT TRUSTS (8) LEISURE & HOTELS (2) Chrysalis, London Clubs, MEDIA (1) Aegis, OIL EXPLORATION & PROD (1) Bow Valley, OTHER FINANCIAL (1) Exco, TEXTILES & APPAREL (2) Bullers, Wensum, TRANSPORT (3) Applied Distribution, GRT Bus, P&O 5¼pc. Pfd., WATER (1) South Staffs, SOUTH AFRICANS (1) SASOL.
NEW LOWS (27).
OTHER FIXED INTEREST (1) United Mex. States 16½pc Ln. 2008, BANKS (2) Bank of Scotland 9¼pc Prf., Do 9⅜pc Prf., BUILDING & CNSTRN (2) Crest Nichol 5½pc Prf., Eve, BLDG MATLS & MCHTS (1) Atreus, CHEMICALS (1) Camentone Wrts., DISTRIBUTORS (1) Lex Service, ENGINEERING (1) Fernm, INVESTMENT TRUSTS (2) MEDIA (1) Storm, OIL EXPLORATION & PROD (1) Aviva, OIL, INTEGRATED (1) Chevron, OTHER FINANCIAL (2) Secure Trust, Towry Law, PHARMACEUTICALS (1) Huntingdon Intl., PRTNG, PAPER & PACKG (1) Crest Packaging, PROPERTY (2) Berlows, Southend Prop. 8pc Cnv. 2020, RETAILERS, FOOD (1) Brake Bros., SUPPORT SERVS (3) Dudley Jenkins, JBA, OIS Intl. Inspection, TEXTILES & APPAREL (1) Allied, AMERICANS (1) Eaton, CANADIANS (1) TVX Gold Income.

EQUITY FUTURES AND OPTIONS TRADING

The derivatives sector recorded one of its least active days this year as attention shifted to the possible outcome of today's Federal Open Markets Committee meeting in the US, writes *Joel Kibazo*.

In futures, the September contract on the FT-SE 100 opened at 3,158. However, with many of the European markets enjoying an extended weekend, and no economic data on which to focus, trading was dull and carried out in very thin trading.

A sharp mark-up said to have been led by independent traders (locals) saw September advance to 3,174, the peak of the session, before running out of steam on the back of a retreat in UK gilts.

US industrial production data released in the second half of the session was in line with expectations and did little to encourage trading in September. After falling to a low of 3,144, the contract settled at 3,152, down 7 from its previous close and at a 10-point premium to cash. Volume was a paltry 5,786 lots.

It was also a poor day in the traded options, a mere 21,265 contracts being traded, against Friday's 36,099. Among the index options, volume in the FT-SE 100 option fell back to 6,246 contracts, and the Euro FT-SE option saw business of 1,224 lots. Sears was the busiest stock option with a total of 2,000 trades dealt.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3158.0	3152.0	-7.0	3174.0	3144.0	5786	57484
Dec	3177.0	3165.5	-7.0	3177.0	3172.0	11	4114
Mar	-	3185.5	-7.0	-	-	0	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Sep	3740.0	3740.0	10.0	3740.0	3740.0	50	4460

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Sep	3,735.0		636

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3142) £10 per full index point

	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P
Aug	195½	1	146	1	97½	2½	52	7½	18	26	4	61½	1	111	1	161
Sep	212	11	169	17½	127½	28½	92½	41	63	61	39½	89½	22	123	11	165
Oct	224	26½	184	36	148	49½	116	67	87½	89	65	117	45	147	32	184½
Nov	242	36½	206	49½	169½	63	139	82	109½	103	86½	130	65½	159	46½	193½
Dec†			222½	61½			158½	95			104	143			63½	203½

Calls 3,656 Puts 3,658

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P
Aug	168½	1	119½	1½	72	4	32	13½	9½	40½	2	83	1	131½	1	181½
Sep	181	14½	149	22	110½	33½	76	48½	49	71½	28½	100½	14½	136½	6½	178½
Oct			167	43			102½	78			55½	129½			27	200
Dec			203½	65½			141	101			92½	151			57	214
Mar†			247½	92			188	129½			139	177			99½	234½

Calls 640 Puts 584 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3450	3500	3550	3600	3650	3700		3750		3800	
Jul						48.4	18.1	18.4	44	4.9	82½

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Aug 15	Day's chge%	Aug 12	Aug 11	Aug 10	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3142.2	—	3142.3	3138.2	3167.0	3006.3	4.01	6.72	17.55	86.62	1182.92
FT-SE Mid 250	3719.2	-0.3	3728.8	3726.6	3718.9	3459.4	3.32	5.57	21.60	84.58	1379.35
FT-SE Mid 250 ex Inv Trusts	3723.0	-0.4	3736.5	3731.5	3720.6	3467.7	3.46	6.03	20.12	87.75	1377.46
FT-SE-A 350	1588.7	-0.1	1589.7	1587.9	1596.1	1511.0	3.85	6.45	18.36	42.02	1223.42
FT-SE SmallCap	1879.00	+0.1	1877.40	1876.11	1874.04	1726.94	3.00	4.14	31.64	36.25	1451.75
FT-SE SmallCap ex Inv Trusts	1846.99	+0.1	1845.96	1843.54	1841.59	1714.17	3.18	4.57	29.25	37.20	1430.56
FT-SE-A ALL-SHARE	1576.94	-0.1	1577.78	1576.04	1586.28	1496.35	3.79	6.28	18.93	40.92	1235.23

■ FT-SE Actuaries All-Share

	Aug 15	Day's chge%	Aug 12	Aug 11	Aug 10	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2723.66	+0.3	2715.11	2711.54	2737.49	2276.80	3.53	4.30	29.25	54.71	1085.23
12 Extractive Industries(4)	3954.52	—	3955.08	3955.83	3975.22	3226.70	3.22	5.09	24.59	54.24	1079.16
15 Oil, Integrated(3)	2667.37	+0.5	2655.18	2647.89	2677.58	2216.90	3.45	4.43	28.11	59.99	1086.25
16 Oil Exploration & Prod(11)	1982.06	-0.4	1989.79	2006.68	2016.53	1799.30	2.44	1.23	80.00†	20.34	1136.44
20 GEN MANUFACTURERS(264)	2039.11	-0.2	2043.12	2052.02	2068.54	1912.70	3.72	4.57	26.83	48.57	1032.74
21 Building & Construction(32)	1171.91	-0.7	1179.86	1192.62	1194.29	1153.70	3.30	4.52	28.50	21.23	910.34

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	6,700	63	+1¾
Abbey National†	1,000	392	-1¼
Albert Fisher	113	51	
Allied-Lyons†	776	590	-½
Anglian Water	912	540	+2½
Argos	1,400	367	-7
Argyll Group†	3,600	272	-2
Arjo Wiggins†	792	230	-2
Assoc. Brit. Foods†	55	588	+2

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Oct	Jan	Apr	Puts Oct	Jan	Apr
Allied-Lyons	560	28	-	-	21	-	-
(*589)	600	9½	-	-	54	-	-
Argyll	260	23½	30	35½	8½	15	18½
(*272)	280	12	19½	25½	18½	25½	29

Option		Calls Nov	Feb	May	Puts Nov	Feb	May
Hanson	260	15	20	23½	11½	16	19½
(*264)	280	6½	11½	15	24	27½	31
Lasmo	134	28	-	-	5½	-	-
(*153)	154	12	-	-	16½	-	-

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	18	35	17
Other Fixed Interest	1	9	5
Mineral Extraction	74	38	90
General Manufacturers	142	97	407
Consumer Goods	60	18	109
Services	91	75	340
Utilities	13	21	11
Financials	115	54	199
Investment Trusts	133	22	312
Others	62	23	45
Totals	709	390	1535

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	August 8	Expiry	November 10
Last Dealings	August 19	Settlement	November 24

Calls: Bullers, Eclipse Blinds, Owners Abroad, Pillars Props., Tullow Oil. Put: Bullers Put & Call: Tullow Oil.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	1.74	66	62	Abtrust New C Wts	66		-	-	-	-
-	F.P.	26.7	100	98	Aromascan	99	+1	-	-	-	-
-	F.P.	21.4	89	88	Baillie G Shn Wrts	85	-1	-	-	-	-
100	F.P.	19.4	102	100	Beacon Inv Tst	102		-	-	-	-
-	F.P.	1.71	45	43	Do. Warrants	45		-	-	-	-
18	F.P.	5.16	31	21	Carnell	28		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
8	Nil	24/8	1½pm	1¼pm	BCE	1¼pm	
85	Nil	14/9	12pm	7pm	CRT	7pm	-1
-	Nil	-	6pm	4pm	Freeport	5pm	
15	Nil	22/9	4pm	2pm	Hartstone	2pm	
60	Nil	22/8	11pm	3pm	P & P	7pm	
24	Nil	12/9	2½pm	1pm	Prestwick	2pm	-½
1¼	Nil	-	¼pm	¼pm	Surrey Group	¼pm	
180	Nil	12/9	23pm	18pm	Waddington (J)	18pm	

FINANCIAL TIMES EQUITY INDICES

	Aug 15	Aug 12	Aug 11	Aug 10	Aug 9	Yr ago	*High	*Low
Ordinary Share	2474.8	2469.2	2480.5	2478.2	2474.1	2347.8	2713.6	2240.6
Ord. div. yield	4.09	4.10	4.11	4.07	4.08	3.94	4.46	3.43
Earn. yld. % full	5.71	5.55	5.57	5.52	5.53	4.75	5.95	3.82
P/E ratio net	18.74	19.18	19.12	19.31	19.27	26.93	33.43	17.88
P/E ratio nil	19.35	19.93	19.87	20.07	20.03	24.90	30.60	18.61

*For 1994. Ordinary Share Index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2476.3	2482.8	2479.3	2477.5	2479.1	2479.2	2478.6	2472.2	2474.9	2483.0	2472.2

	Aug 15	Aug 12	Aug 11	Aug 10	Aug 9	Yr ago
SEAQ bargains	26,885	28,181	29,000	26,170	27,840	37,573
Equity turnover (£m)†	-	1393.2	1530.5	1359.4	1522.9	1120.4
Equity bargains†	-	32,338	32,407	30,090	31,070	43,281
Shares traded (m)†	-	598.0	588.7	540.2	556.4	564.8

†Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

LONDON SHARE SERVICE

BANKS

Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	£22¼	-⅛	£25⅛	£20⅞	6,654	5.1	Φ
ANZ A$	168	+3	278¾	179¾	2,635	4.9	29.4
Abbey National ..†N□	392xd	-1¼	523	381	5,143	5.0	13.2
Allied Irish I£ ..♣†N□	242xd	-½	314	234	1,584	5.2	9.3
Anglo Irish I£ ....N□	67	—	*70	50	186.2	7.5	10.4
Asahi Y	769½	-11¼	819¾	628	17,859	0.6	Φ
Banco Bil Viz Pta	£15⅝	+⅛	£18⅞	£14⅛	3,882	5.4	6.9
Banco Sant Pta	£26¾	—	*£30½	£23¼	3,963	5.5	8.1
Bk Ireland I£ ......♣□	268	-1	*319	246	1,257	4.9	7.7
Bank Scotland ..♣†N□	185	—	247	172½	2,158	3.4	15.1
9¼pc Pf	114	—	141½	113¼	114.0	10.1	-
9¾pc Pf	119¼	—	149½	119	119.2	10.2	-
Barclays ......♣†N□	544xd	+5	640	487	8,850	3.8	16.8
Dai Ichi Kan Y	£12¼	+⅛	£12⅞	£10⅜	38,238	0.4	-
Deutsche DM	£288⅛	-4⅞	£344¼	£270⅛	13,797	2.4	-
Espirito Santo	£9⅞xc	+⅛	*£13⅛	£9⅝	213.2	3.9	4.9
First Nat Fin ....N□	68xd	—	*90	60	111.4	2.8	-
6.3pc Cv Pf	77	—	*90	77	5.16	10.2	-
7pc Cv Pf	125½	—	171	123	39.8	7.0	-
Fuji Bank Y	1609½	+11½	1949¾	1152½	43,555	0.4	Φ
HSBC HK ....†N□	763	-9	1133	690	13,952	4.1	10.8
HSBC (75p Shs) ..†N□	749	-10	1113	680	6,366	4.1	10.7
Lloyds ....†N□	535xd	-6	680	519	6,974	5.3	10.6
Mitsubishi Y	£16⅝	+⅛	£18⅞	£15⅝	46,790	0.3	Φ
Mits Tst & Bk Y	993	+8½	1162¼	687½	11,778	0.5	15.3
Mitsui Tst & Bk Y	782½	—	879	514	9,375	0.7	25.9
Nat Aust A$ ....†	532	+4	620¼	489¾	7,121	5.3	11.0
NatWest ....†N□	462xd	+12	622	421	7,887	5.2	8.5
Ottomane FFr	£22	—	£33	£22	110.0	6.6	Φ
Ryl Bk Scotland ..♣†N□	392	-3	528	377½	3,138	3.8	17.7
Sakura Y	£9⅞	+⅛	£9⅞	£8⅛	30,228	0.6	55.3
Sanwa Y	£13⅞	-⅛	£15⅝	£11⅝	40,915	0.4	-
Standard Chartd. †N□	250	+3	*359¾	223	2,402	3.2	10.9
7 3/8pc Pf	90	—	108½	89¼	90.0	10.2	-
Sumitomo Y	£12⅛	-⅛	£16¼	£11½	40,621	0.4	27.0
Sumitomo Tst Y	918¼	—	1148½	625	11,422	0.6	Φ
TSB ....†N□	207xd	—	281	187	3,168	4.9	10.4
Tokai Y	£8⅞	+⅛	£9	£5⅜	17,403	0.7	52.8
Toyo Tst & Bk Y	814¼	+6½	892	589¾	6,404	0.6	70.7
Westpac A$	216	+2	280	194	3,932	2.5	Φ
Yasuda Tst Bk Y .....‡	685¼	-6½	896	442	8,458	0.9	50.8

BREWERIES

Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs ....□	4¼	—	10¼	4	15.8	-	-
Bass ....†N□	574	+6	619	485	5,005	4.6	16.0
Boddington ....N□	268	+1	298	250	325.1	3.7	16.0
Burtonwood ....N	182xd	—	196	168	37.9	3.4	15.2
Eldridge,Pope A ..♣†N	160	+1	181	142	28.2	3.0	20.8
Fosters A$	65	—	66	46¾	1,770	5.2	63.6
Fuller STA ....♣♣N	419xd	—	483	417	85.5	2.3	17.3
Gibbs Mew ......♣♣N	405xd	—	423	373	28.1	2.9	Φ
Greenalls ....♣†N□	439	+4	511	389	917.5	3.8	16.8
Greene King ....N□	498xd	-1	584	452	209.8	3.3	13.8
Grosvenor Inns ..♣♣N	143xd	+2½	*165	124	19.0	4.2	Φ

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

هكذا في الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other offical estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; x$ ex capital distribution.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
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OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Market waits on Fed

Foreign exchanges yesterday traded in a fairly narrow range ahead of today's meeting of the Federal Open Market Committee which will decide on US interest rate policy, *writes Philip Gawith.*

Traders were reluctant to take positions with both the FOMC meeting, and the Bundesbank council meeting on Thursday, holding out the possibility of rate changes.

Most European markets were closed for the Assumption day holiday, and this put a dampener on activity.

The dollar closed in London at DM1.5533 from DM1.5557 on Friday, and at Y100.265 from Y99.99.

In Europe the D-Mark retained its recent strength, although the Italian lira and Swedish krona managed to recoup some of their losses of last week.

Sterling suffered at the hands of the stronger D-Mark and the trade weighted sterling index ended at 78.8 from 79.1.

The New Zealand dollar firmed after the ruling National Party's weekend victory held onto the closely contested Selwyn by-election seat. It closed at $0.6041 from $0.6007.

■ The market consensus has now shifted firmly towards asking not whether the Fed will tighten, but by how much. Opinion is split as to whether the Federal funds rate will be increased, from 4.25 per cent, by 25 or 50 basis points.

Whichever route the Fed takes, it is not clear that the dollar will profit. The market does not appear yet to have shaken off the bearish pyschology that attaches to the US currency. Higher rates thus seem more likely to upset the US bond market, with the dollar falling in sympathy, than to attract funds into dollar deposits, helping the currency.

The spectre of political weakness also hangs over the dollar following President Clinton's setback last week when the House blocked a key piece of domestic legislation on crime.

So far this year the dollar has failed conspicuously to profit from four previous rounds of monetary tightening. Some analysts argue that sentiment will turn when US and German short-term rates cross - the gap is currently about 60 basis points in Germany's favour.

Mr Neil MacKinnon, chief economist at Citibank in London, said that while most policy moves under Mr Alan Greenspan, chairman of the Federal Reserve, had been in 25 basis point increments, there was sufficient evidence to allow a larger move.

Although underlying CPI and PPI remain subdued, Mr Greenspan has called into question the utility of such figures as advance indicators of inflation. He told a House Committee recently that once "price indexes reveal that inflation is on the upswing, many imbalances that are costly to rectify have developed already."

He suggested that information from financial and commodity markets could serve better as a leading indicator. July industrial production and capacity utilisation figures released yesterday had little market impact.

While market consensus towards the dollar is clearly more bearish than earlier in the year, some analysts are still calling its recovery. Mr Mike Norman, publisher of the Geneva-based Economic Contrarian Update, said the dollar was oversold and he was advising his clients to buy the dollar during the current dip against European currencies. He is forecasting for the dollar to reach DM1.75 by the end of the year, and Y110-113.

■ With most continental exchanges closed, trading of European currencies was quiet following the turmoil sparked off last Thursday by rises in Swedish and Italian rates. The lira closed at L1,024 against the D-Mark, from L1,026, while the krona finished at SKr4.985 compared to SKr5.008.

Mr MacKinnon of Citibank said the weekend rapprochement between Mr Silvio Berlusconi, the prime minister, and his Northern league ally, Mr Umberto Bossi, had provided the lira with only temporary relief.

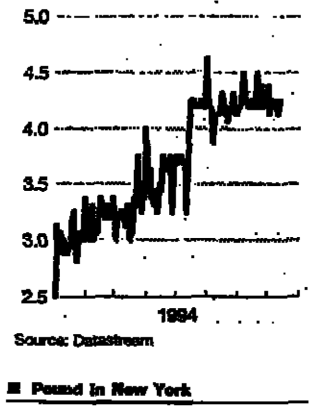
"Investors feel that the Berlusconi administration has a very limited shelf-life. They are not convinced the government intends to do anything serious to address the budget deficit," he commented. "The lira remains friendless and it would be a brave soul who regarded current levels as a buying opportunity."

■ The Bank of England provided UK money markets with £200m assistance after forecasting a similar size shortage. Overnight money traded between 4 per cent and 4¾ per cent. In the cash market rates were slightly firmer with sterling three month LIBOR trading at 5⅛ per cent.

In Germany call money was unchanged at 4.90/5 per cent ahead of Thursday's Bundesbank council meeting. There is speculation about whether official rates will be cut, and whether the central bank will set another fixed rate repo, or revert to a variable rate tender.

The interest rate futures markets were very quiet. The December short sterling contract traded under 10,000 lots to finish at 93.19 from 93.23. The euromark contract traded under 13,000 lots to close at 94.82 from 94.80.

US Federal funds rate



Source: Datastream

■ Pound in New York

Aug 15	Latest	Prev. close
£ spot	1.5425	1.5465
1 mth	1.5418	1.5457
3 mth	1.5422	1.5436
1 yr	1.5282	1.5317

■ OTHER CURRENCIES

Aug 15	£	$
Hungary	165.468 - 165.727	107.320 - 107.420
Iran	2708.00 - 2709.00	1748.00 - 1750.00
Kuwait	0.4587 - 0.4601	0.2975 - 0.2982
Poland	34875.5 - 34944.4	22520.0 - 22650.0
Russia	3246.54 - 3257.34	2105.00 - 2112.00
U.A.E.	5.6602 - 5.6717	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Aug 15		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.8419	-0.0901	287 - 551	16.9133	16.8287	16.8378	0.3	16.8257	0.4	-	-	115.7
Belgium	(BFr)	49.3382	-0.2691	913 - 850	49.5960	49.2913	49.3132	0.6	49.4032	-0.5	49.1532	0.4	117.3
Denmark	(DKr)	9.5040	-0.0402	993 - 086	9.5221	9.4968	9.5085	-0.6	9.5182	-0.6	9.5711	-0.7	116.7
Finland	(FM)	7.9413	-0.0842	310 - 516	7.9850	7.9280	-	-	-	-	-	-	82.9
France	(FFr)	8.2359	-0.0201	309 - 409	8.2475	8.2106	8.2394	-0.5	8.2385	-0.1	8.2038	0.4	110.4
Germany	(DM)	2.3956	-0.0105	944 - 957	2.4045	2.3935	2.395	0.3	2.3918	0.6	2.3632	1.4	126.9
Greece	(Dr)	363.058	-1.565	323 - 792	363.783	362.323	-	-	-	-	-	-	-
Ireland	(I£)	1.0142	-0.0017	133 - 150	1.0166	1.0119	1.0143	-0.1	1.0144	-0.1	1.0148	-0.1	103.9
Italy	(L)	2452.95	-18.38	100 - 490	2458.91	2450.40	2462.5	-4.7	2479.4	-4.3	2550.55	-4.0	74.6
Luxembourg	(LFr)	49.3382	-0.2691	913 - 850	49.5960	49.2913	49.3132	0.6	49.4032	-0.5	49.1532	0.4	117.3
Netherlands	(Fl)	2.6897	-0.0131	880 - 913	2.6999	2.6880	2.689	0.3	2.6856	0.6	2.655	1.3	121.1
Norway	(NKr)	10.5384	-0.0477	334 - 433	10.5777	10.5211	10.5354	0.3	10.5459	-0.3	10.5318	0.1	86.6
Portugal	(Es)	245.997	-1.235	763 - 231	246.730	245.763	247.727	-8.4	250.907	-8.0	-	-	-
Spain	(Pta)	200.345	-0.604	203 - 487	200.567	200.093	200.91	-3.4	201.655	-2.6	203.97	-1.8	85.9
Sweden	(SKr)	11.9483	-0.0968	386 - 579	12.0441	11.9204	11.9698	-2.2	12.0203	-2.4	12.2408	-2.4	73.4
Switzerland	(SFr)	2.0117	-0.0087	105 - 129	2.0191	2.0099	2.0103	0.9	2.006	1.1	1.9731	1.9	122.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	78.8
Ecu	-	1.2605	-0.0052	598 - 612	1.2647	1.2598	1.2615	-1.0	1.2622	-0.5	1.2611	0.0	-
SDR†	-	0.941691	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5410	-0.0042	404 - 416	1.5458	1.5404	-	-	-	-	-	-	-
Brazil	(R)	1.3850	-0.0178	830 - 870	1.4072	1.3830	-	-	-	-	-	-	-
Canada	(C$)	2.1280	-0.0083	269 - 291	2.1372	2.1269	2.1284	-0.3	2.1288	-0.2	2.1379	-0.5	86.0
Mexico	(New Peso)	5.2438	-0.0094	390 - 486	5.2586	5.2390	-	-	-	-	-	-	-
USA	($)	1.5423	-0.0044	418 - 428	1.5472	1.5418	1.5416	0.5	1.5396	0.7	1.5281	0.9	63.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0810	-0.0033	796 - 823	2.0872	2.0781	2.0809	0.0	2.0823	-0.2	2.1005	-0.9	-
Hong Kong	(HK$)	11.9189	-0.0342	143 - 235	11.9561	11.9143	11.915	0.4	11.9139	0.2	11.9209	0.0	-
India	(Rs)	48.3820	-0.1384	586 - 054	48.5280	48.3586	-	-	-	-	-	-	-
Japan	(Y)	154.639	-0.011	535 - 743	155.110	154.535	154.209	3.3	153.334	3.4	148.509	4.0	187.7
Malaysia	(M$)	3.9506	-0.003	485 - 527	3.9850	3.9485	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5533	-0.0215	514 - 552	2.5602	2.5514	2.5572	-1.8	2.565	-1.8	2.5872	-1.3	-
Philippines	(Peso)	40.4855	-0.1142	868 - 842	40.8855	40.0868	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7840	-0.0165	819 - 861	5.8023	5.7819	-	-	-	-	-	-	-
Singapore	(S$)	2.3234	-0.0051	223 - 245	2.3304	2.3223	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5273	-0.0225	243 - 302	5.5506	5.5243	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.0175	+0.0112	998 - 352	7.0520	6.9998	-	-	-	-	-	-	-
South Korea	(Won)	1242.79	-3.5	207 - 350	1246.42	1242.07	-	-	-	-	-	-	-
Taiwan	(T$)	40.8409	-0.0773	238 - 580	40.9722	40.8238	-	-	-	-	-	-	-
Thailand	(Bt)	38.5730	-0.1165	450 - 009	38.6980	38.5450	-	-	-	-	-	-	-

†SDR rate for Aug 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 15		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.9200	-0.0275	150 - 250	10.9250	10.9150	10.9202	0.0	10.92	0.0	10.835	0.8	104.3
Belgium	(BFr)	31.9900	-0.084	700 - 100	32.0700	31.9540	32.015	-0.9	32.07	-1.0	32.215	-0.7	105.8
Denmark	(DKr)	6.1622	-0.0087	612 - 632	6.1632	6.1453	6.1732	-2.1	6.1934	-2.0	6.2572	-1.5	104.8
Finland	(FM)	5.1490	-0.027	440 - 540	5.1636	5.1402	5.154	-1.2	5.169	-1.6	5.249	-1.9	77.4
France	(FFr)	5.3400	+0.002	385 - 415	5.3415	5.3130	5.345	-1.1	5.352	-0.9	5.3105	0.6	108.2
Germany	(D)	1.5533	-0.0024	530 - 535	1.5550	1.5201	1.5539	-0.4	1.5541	-0.2	1.5473	0.4	107.0
Greece	(Dr)	235.400	-0.35	000 - 800	235.800	235.000	235.74	-1.7	236.5	-1.9	239.55	-1.8	68.5
Ireland	(I£)	1.5208	-0.0017	200 - 215	1.5278	1.5200	1.5191	1.3	1.5153	1.4	1.4978	1.5	-
Italy	(L)	1590.45	-6.12	970 - 120	1591.50	1584.80	1597.75	-5.5	1610.4	-5.0	1647.35	-3.6	75.8
Luxembourg	(LFr)	31.9900	-0.084	700 - 100	32.0700	31.9540	32.015	-0.9	32.07	-1.0	32.215	-0.7	105.8
Netherlands	(Fl)	1.7439	-0.0036	434 - 444	1.7459	1.7396	1.7445	-0.4	1.7432	0.2	1.7377	0.4	105.4
Norway	(NKr)	6.8329	-0.0116	319 - 339	6.8415	6.8180	6.8384	-1.0	6.8529	-1.2	6.7654	1.0	96.6
Portugal	(Es)	159.500	-0.35	400 - 600	159.600	159.300	160.585	-8.2	162.325	-7.1	168.75	-5.8	95.5
Spain	(Pta)	129.900	-0.025	850 - 950	129.950	129.580	130.325	-3.9	130.98	-3.3	133.475	-2.8	81.0
Sweden	(SKr)	7.7471	-0.0408	433 - 508	7.7896	7.7270	7.7746	-4.3	7.8196	-3.7	8.0471	-3.9	78.0
Switzerland	(SFr)	1.3044	-0.0019	040 - 047	1.3060	1.3005	1.304	0.5	1.303	0.4	1.2912	1.0	106.5
UK	(£)	1.5423	-0.0044	418 - 428	1.5472	1.5418	1.5416	0.5	1.5396	0.7	1.5281	0.9	87.7
Ecu	-	1.2236	+0.0015	233 - 238	1.2261	1.2226	1.222	1.5	1.2198	1.2	1.2343	-0.9	-
SDR†	-	1.45755	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9992	+0.0001	991 - 992	0.9992	0.9991	-	-	-	-	-	-	-
Brazil	(R)	0.8980	-0.009	970 - 990	0.9120	0.8970	-	-	-	-	-	-	-
Canada	(C$)	1.3798	-0.0015	795 - 800	1.3815	1.3795	1.3808	-0.9	1.3831	-1.0	1.4003	-1.5	82.9
Mexico	(New Peso)	3.4000	+0.0035	980 - 020	3.4020	3.3980	3.401	-0.4	3.4028	-0.3	3.4102	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3493	+0.0016	488 - 497	1.3508	1.3437	1.3498	-0.2	1.3503	-0.3	1.3576	-0.6	88.7
Hong Kong	(HK$)	7.7280	-0.0004	275 - 285	7.7290	7.7274	7.7278	0.0	7.7285	0.0	7.7435	-0.2	-
India	(Rs)	31.3700	-0.0013	650 - 750	31.3875	31.3650	31.455	-3.3	31.6	-2.9	-	-	-
Japan	(Y)	100.265	+0.275	230 - 300	100.360	100.040	100.045	2.6	99.585	2.7	97.14	3.1	148.5
Malaysia	(M$)	2.5615	+0.0053	610 - 620	2.5635	2.5570	2.5523	4.3	2.541	3.2	2.6145	-2.1	-
New Zealand	(NZ$)	1.6555	-0.0092	548 - 562	1.6565	1.6529	1.6564	-0.7	1.6583	-0.7	1.6638	-0.5	-
Philippines	(Peso)	26.2500	-	000 - 000	26.6000	26.0000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-0.0001	501 - 504	3.7504	3.7501	3.7516	-0.4	3.7557	-0.6	3.7743	-0.6	-
Singapore	(S$)	1.5065	+0.001	062 - 067	1.5069	1.5062	1.5051	1.1	1.5032	0.9	1.4965	0.7	-
S Africa (Com.)	(R)	3.5838	-0.0045	830 - 845	3.5890	3.5830	3.5993	-5.2	3.6276	-4.9	3.7043	-3.4	-
S Africa (Fin.)	(R)	4.5500	+0.02	400 - 600	4.5600	4.5350	4.5837	-8.9	4.6425	-8.1	-	-	-
South Korea	(Won)	805.800	-	600 - 000	806.000	805.400	808.8	-4.5	812.3	-3.2	830.8	-3.1	-
Taiwan	(T$)	26.4805	+0.0245	780 - 830	26.4885	26.4780	26.5005	-0.9	26.5405	-0.9	-	-	-
Thailand	(Bt)	25.0100	-0.005	000 - 200	25.0200	25.0000	25.0825	-3.5	25.21	-3.2	25.69	-2.7	-

†SDR rate for Aug 12. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 11. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 15		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.27	16.69	4.855	2.056	4971	5.451	21.35	498.5	406.0	24.20	4.077	2.027	4.314	3.126	313.4	2.554
Denmark	(DKr)	51.90	10	8.665	2.520	1.067	2580	2.829	11.08	258.7	210.8	12.56	2.116	1.052	2.239	1.622	162.7	1.326
France	(FFr)	59.90	11.54	10	2.908	1.231	2978	3.265	12.79	298.6	243.2	14.50	2.442	1.214	2.584	1.872	187.7	1.530
Germany	(DM)	20.60	3.968	3.438	1	0.423	1024	1.123	4.397	102.7	83.63	4.985	0.840	0.418	0.889	0.644	64.55	0.526
Ireland	(I£)	48.65	9.373	8.121	2.362	1	2418	2.652	10.38	242.5	197.5	11.78	1.983	0.986	2.099	1.521	152.5	1.243
Italy	(L)	2.012	0.388	0.336	0.098	0.041	100.	0.110	0.429	10.03	8.169	0.487	0.082	0.041	0.087	0.063	6.305	0.051
Netherlands	(Fl)	18.35	3.534	3.062	0.891	0.377	911.9	1	3.916	91.45	74.49	4.440	0.748	0.372	0.791	0.573	57.49	0.469
Norway	(NKr)	46.85	9.026	7.821	2.274	0.963	2329	2.554	10	233.5	190.2	11.34	1.910	0.950	2.021	1.464	146.8	1.197
Portugal	(Es)	20.06	3.865	3.349	0.974	0.412	997.2	1.094	4.282	100.	81.46	4.856	0.818	0.407	0.865	0.627	62.87	0.512
Spain	(Pta)	24.63	4.745	4.111	1.196	0.506	1224	1.342	5.257	122.8	100.	5.961	1.004	0.499	1.062	0.770	77.18	0.629
Sweden	(SKr)	41.31	7.960	6.897	2.006	0.849	2054	2.252	8.819	205.9	167.8	10	1.684	0.838	1.782	1.291	129.5	1.055
Switzerland	(SFr)	24.53	4.726	4.095	1.191	0.504	1219	1.337	5.236	122.3	99.60	5.937	1	0.497	1.058	0.767	76.88	0.627
UK	(£)	49.33	9.504	8.235	2.395	1.014	2452	2.689	10.53	245.9	200.3	11.94	2.011	1	2.128	1.542	154.6	1.260
Canada	(C$)	23.18	4.466	3.870	1.125	0.477	1152	1.264	4.948	115.6	94.13	5.611	0.945	0.470	1	0.725	72.65	0.592
US	($)	31.99	6.163	5.340	1.553	0.658	1590	1.744	6.829	159.5	129.9	7.743	1.304	0.649	1.380	1	100.3	0.817
Japan	(Y)	319.1	61.47	53.27	15.49	6.559	15860	17.39	68.11	1591	1296	77.23	13.01	6.468	13.76	9.974	1000.	8.150
Ecu		39.15	7.543	6.536	1.901	0.805	1946	2.134	8.357	195.2	159.0	9.476	1.596	0.794	1.689	1.224	122.7	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Sep	0.6440	0.6450	+0.0013	0.6454	0.6434	50,315	100,544
Dec	0.6445	0.6450	+0.0011	0.6457	0.6439	600	5,503
Mar	-	0.6448	-	-	-	12	1,569

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Sep	1.0019	1.0000	+0.0001	1.0022	0.9990	22,564	65,108
Dec	1.0060	1.0070	-	1.0070	1.0060	1,601	6,846
Mar	-	1.0148	-	-	-	10	1,125

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Sep	0.7674	0.7683	+0.0012	0.7688	0.7662	21,148	44,387
Dec	0.7682	0.7696	+0.0007	0.7698	0.7680	412	1,737
Mar	0.7700	0.7715	-	0.7715	0.7700	10	39

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Sep	1.5440	1.5446	-0.0010	1.5456	1.5418	8,008	33,622
Dec	1.5400	1.5420	-0.0030	1.5420	1.5390	105	856
Mar	-	1.5380	-	-	1.5350	2	154

EMS EUROPEAN CURRENCY UNIT RATES

Aug 15	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14323	-0.00042	-2.43	5.90	-
Belgium	40.2123	39.3532	-0.0355	-2.14	5.58	16
Germany	1.94964	1.90832	-0.00009	-2.12	5.56	-
Ireland	0.808628	0.807835	+0.002775	-0.10	3.43	1
France	6.53883	6.55109	-0.00109	0.19	3.13	-2
Portugal	192.854	196.115	+0.084	1.69	1.61	-11
Denmark	7.43679	7.56963	-0.005	1.79	1.51	-12
Spain	154.250	159.379	-0.106	3.33	0.00	-23
NON ERM MEMBERS						
Greece	264.513	289.958	+0.831	9.62	-5.74	-
Italy	1793.19	1956.30	-3.35	9.10	-5.29	-
UK	0.786749	0.796471	+0.001971	1.24	2.06	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	Oct	Nov	PUTS Sep	Oct	Nov
1.450	9.20	9.20	9.25	-	0.05	0.20
1.475	6.81	6.95	7.10	0.01	0.23	0.50
1.500	4.51	4.85	5.16	0.20	0.61	1.03
1.525	2.56	3.08	3.51	0.68	1.32	1.85
1.550	1.17	1.79	2.27	1.75	2.46	2.98
1.575	0.41	0.93	1.36	3.46	4.02	4.54

Previous day's vol., Calls 15,452 Puts 8,138. Prev. day's open int., Calls 600,770 Puts 470,584

WORLD INTEREST RATES

MONEY RATES

August 15	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5¼	6	6¼	6½	7.40	4.50	-
week ago	5	5¼	5¾	5¾	6⅛	7.40	4.50	-
France	5⅛	5¼	5⅝	6	6¼	5.00	-	6.75
week ago	5⅛	5¼	5½	5¾	6	5.00	-	6.75
Germany	4.93	5.00	5.00	5.05	5.25	6.00	4.50	4.85
week ago	4.98	5.00	4.95	4.95	5.10	6.00	4.50	4.85
Ireland	5	5⅝	5⅞	6⅜	6¾	-	-	6.25
week ago	5	5¾	5⅞	6⅜	6¾	-	-	6.25
Italy	8½	9⅜	9¾	10⅛	10¾	-	7.50	8.20
week ago	8½	9⅛	8⅞	8¾	9¾	-	7.00	8.20
Netherlands	4.85	4.97	5.00	5.13	5.40	-	5.25	-
week ago	4.85	4.97	4.96	5.05	5.25	-	5.25	-
Switzerland	4	4⅜	4⅞	4⅜	4⅞	6.625	3.50	-
week ago	4	4⅜	4⅜	4½	4¾	6.625	3.50	-
US	4½	4¾	4¾	5⅜	5⅞	-	3.50	-
week ago	4½	4⅝	4⅞	5⅛	5¾	-	3.50	-
Japan	2⅛	2⅜	2⅜	2¾	2⅞	-	1.75	-
week ago	2⅛	2⅜	2⅜	2¼	2½	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4⅞	4⅞	5¼	5¾	-	-	-
week ago	-	4⅞	4⅞	5⅜	5⅞	-	-	-
US Dollar CDs	-	4.54	4.73	5.05	5.62	-	-	-
week ago	-	4.54	4.74	5.06	5.63	-	-	-
SDR Linked Ds	-	3½	3⅝	3¾	4	-	-	-
week ago	-	3½	3⅝	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 6 ; 3 mths: 6⅛; 6 mths: 6⅜; 1 year: 6¾. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 15	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5⅛ - 5	5¼ - 5⅛	5$\frac{11}{16}$ - 5$\frac{9}{16}$	6 - 5⅞	6$\frac{3}{16}$ - 6$\frac{1}{16}$	6⅜ - 6¼
Danish Krone	5½ - 5	6¾ - 6¼	7 - 6½	7 - 6½	7 - 6½	7½ - 7
D-Mark	4¾ - 4⅝	4$\frac{15}{16}$ - 4$\frac{13}{16}$	4$\frac{15}{16}$ - 4$\frac{13}{16}$	5 - 4⅞	5$\frac{1}{16}$ - 4$\frac{15}{16}$	5⅜ - 5¼
Dutch Guilder	4$\frac{13}{16}$ - 4$\frac{11}{16}$	5 - 4⅞	4$\frac{15}{16}$ - 4$\frac{13}{16}$	5 - 4⅞	5$\frac{3}{16}$ - 5$\frac{1}{16}$	5$\frac{7}{16}$ - 5$\frac{5}{16}$
French Franc	5$\frac{7}{16}$ - 5$\frac{5}{16}$	5½ - 5⅜	5⅝ - 5½	5¾ - 5⅝	6$\frac{1}{16}$ - 5$\frac{15}{16}$	6⅜ - 6¼
Portuguese Esc.	12⅛ - 11⅞	13¼ - 12¼	12¾ - 12	12¾ - 12	12¾ - 12	13¼ - 11¾
Spanish Peseta	7⅞ - 7$\frac{11}{16}$	7$\frac{13}{16}$ - 7¾	8$\frac{1}{16}$ - 7⅞	8⅛ - 8	8½ - 8⅜	8$\frac{15}{16}$ - 8½
Sterling	4⅞ - 4⅛	4⅞ - 4¾	5⅛ - 5$\frac{1}{16}$	5$\frac{11}{16}$ - 5$\frac{9}{16}$	6⅛ - 6	6⅞ - 6$\frac{13}{16}$
Swiss Franc	4⅛ - 3⅞	4¼ - 4	4¼ - 4⅛	4$\frac{7}{16}$ - 4$\frac{5}{16}$	4⅝ - 4½	4$\frac{15}{16}$ - 4$\frac{13}{16}$
Can. Dollar	5⅛ - 4⅞	5¼ - 5	5⅜ - 5¼	5¾ - 5⅝	6⅜ - 6$\frac{5}{16}$	7$\frac{5}{16}$ - 7$\frac{3}{16}$
US Dollar	4$\frac{9}{16}$ - 4$\frac{7}{16}$	4$\frac{9}{16}$ - 4$\frac{7}{16}$	4$\frac{11}{16}$ - 4$\frac{9}{16}$	4$\frac{15}{16}$ - 4$\frac{13}{16}$	5⅜ - 5¼	5⅞ - 5¾
Italian Lira	9 - 7½	9⅜ - 9¼	9$\frac{7}{16}$ - 9$\frac{5}{16}$	9$\frac{15}{16}$ - 9$\frac{13}{16}$	10$\frac{5}{16}$ - 10$\frac{3}{16}$	10⅞ - 10¾
Yen	2$\frac{5}{16}$ - 2⅛	2$\frac{5}{16}$ - 2⅛	2$\frac{5}{16}$ - 2⅛	2⅜ - 2¼	2⅝ - 2½	2⅞ - 2$\frac{13}{16}$
Asian $Sing	3⅞ - 3¾	3⅞ - 3¾	4$\frac{1}{16}$ - 4⅛	4¾ - 4⅝	5$\frac{5}{16}$ - 5$\frac{3}{16}$	5$\frac{13}{16}$ - 5$\frac{11}{16}$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate Aug 12

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Sep	94.07	94.06	-0.18	94.12	93.94	40,427	43,498
Dec	93.70	93.69	-0.24	93.75	93.55	47,587	39,338
Mar	93.46	93.44	-0.22	93.48	93.23	15,228	32,060
Jun	93.16	93.20	-0.19	93.20	93.04	8,108	24,224

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Sep	94.83	94.84	-0.02	94.85	94.83	108	3090
Dec	94.13	94.13	-0.02	94.15	94.13	50	1993
Mar	93.88	93.87	-0.01	93.88	93.86	20	1449
Jun	-	93.53	-0.03	-	-	0	354

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Sep	95.01	95.00	+0.02	95.02	94.99	11444	160488
Dec	94.83	94.82	+0.02	94.84	94.80	12717	171369
Mar	94.52	94.53	+0.03	94.54	94.50	9498	160680
Jun	94.18	94.18	+0.02	94.19	94.15	6498	101973

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	89.78	89.78	+0.04	89.88	89.74	1972	23860
Dec	89.40	89.37	-	89.47	89.35	1205	47656
Mar	89.08	88.99	+0.02	89.08	88.95	598	14360
Jun	88.55	88.57	-	88.65	88.55	359	12659

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Sep	95.47	95.53	+0.03	95.53	95.47	947	25914
Dec	95.29	95.33	+0.02	95.34	95.29	761	13502
Mar	95.11	95.14	+0.05	95.14	95.10	106	11265
Jun	94.78	94.78	+0.03	94.81	94.75	44	5189

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.70	93.71	+0.02	93.72	93.70	291	10717
Dec	93.42	93.41	+0.02	93.42	93.41	286	8005
Mar	93.11	93.11	+0.02	93.12	93.11	120	4396
Jun	-	92.83	+0.03	-	-	0	1273

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.85	94.84	-0.02	94.86	94.83	98,874	432,405
Dec	94.14	94.13	-0.02	94.15	94.13	203,357	472,789
Mar	93.87	93.87	-0.02	93.89	93.87	88,597	335,039

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	95.25	95.23	-0.03	95.25	95.23	717	17,635
Dec	94.67	94.65	-0.03	94.67	94.65	845	9,502
Mar	-	94.37	-	-	94.37	279	3,611

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	Sep	Oct	Dec	PUTS Aug	Sep	Oct	Dec
9500	0	0.08	0.06	0.12	0	0.08	0.24	0.30
9525	0	0.02	0.02	0.05	0.25	0.27	0.45	0.48
9550	0	0	0.01	0.03	0.50	0.50	0.69	0.71

Est. vol. total, Calls 864 Puts 610. Previous day's open int., Calls 252480 Puts 169624

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9550	0.09	0.11	0.19	0.06	0.28	0.55
9575	0.02	0.04	0.12	0.24	0.46	0.73
9600	0.01	0.02	0.07	0.48	0.69	0.93

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1506 Puts 1515

UK INTEREST RATES

LONDON MONEY RATES

Aug 15	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	4¾ - 4	4$\frac{13}{16}$ - 4$\frac{11}{16}$	5⅛ - 5	5$\frac{11}{16}$ - 5$\frac{9}{16}$	6$\frac{3}{16}$ - 6$\frac{1}{16}$	6$\frac{13}{16}$ - 6$\frac{11}{16}$
Sterling CDs	-	-	5$\frac{1}{16}$ - 5	5⅝ - 5½	6$\frac{1}{16}$ - 5$\frac{15}{16}$	6$\frac{13}{16}$ - 6$\frac{11}{16}$
Treasury Bills	-	-	5 - 4$\frac{15}{16}$	5½ - 5⅜	-	-
Bank Bills	-	-	5 - 4$\frac{15}{16}$	5⅝ - 5½	5$\frac{15}{16}$ - 5$\frac{13}{16}$	-
Local authority deps.	4$\frac{13}{16}$ - 4$\frac{11}{16}$	4⅞ - 4¾	5⅛ - 5	5⅝ - 5½	6⅛ - 6	6⅞ - 6¾
Discount Market deps	4½ - 4¼	4$\frac{13}{16}$ - 4$\frac{11}{16}$	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.3747pc. ECGD fixed rate Stlg. Export Finance. Make up day July 29, 1994. Agreed rate for period Aug 24, 1994 to Sep 25, 1994, Schemes II & III 6.50pc. Reference rate for period July 1, 1994 to July 29, 1994, Schemes IV & V 5.2460pc. Finance House Base Rate 5½pc from Aug 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Sep	94.03	93.99	-	94.04	93.97	5565	96371
Dec	93.25	93.19	-0.04	93.29	93.19	9543	169552
Mar	92.66	92.59	-0.05	92.66	92.57	2357	65648
Jun	92.18	92.09	-0.07	92.18	92.09	1065	51466

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9375	0.33	0.12	0.08	0.09	0.68	1.24
9400	0.17	0.06	0.05	0.18	0.87	1.46
9425	0.07	0.03	0.03	0.33	1.09	1.69

Est. vol. total, Calls 12719 Puts 6481. Previous day's open int., Calls 330998 Puts 263172

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
Citibank NA	5.25	●Leopold Joseph & Sons	5.25		
Cl. Bank Nederland	5.25	Lloyds Bank	5.25		
The Co-operative Bank	5.25	Meghraj Bank Ltd	5.25		
Clydesdale Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWest	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 12 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Aug 12 / Frs)

[illegible]

DENMARK (Aug 15 / Kr)

[illegible]

FINLAND (Aug 15 / Mks)

[illegible]

FRANCE (Aug 12 / Frs.)

[illegible]

GERMANY (Aug 15 / Dm.)

[illegible]

ITALY (Aug 12 / Lire)

[illegible]

NETHERLANDS (Aug 15 / Fls.)

[illegible]

NORWAY (Aug 15 / Kroner)

[illegible]

SPAIN (Aug 12 / Pts.)

[illegible]

SWEDEN (Aug 15 / Kronor)

[illegible]

SWITZERLAND (Aug 15 / Frs.)

[illegible]

PACIFIC

JAPAN (Aug 15 / Yen)

[illegible]

HONG KONG (Aug 15 / H.K.$)

[illegible]

MALAYSIA (Aug 15 / M$)

[illegible]

SINGAPORE (Aug 15 / S$)

[illegible]

AUSTRALIA (Aug 15 / Aust$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Aug 15 / Can $)

4 pm close

[illegible]

MONTREAL (Aug 15 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Aug 15 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, August 15, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Asahi Chemical	7.3m	777	–3	Mitsubishi Oil	2.3m	1180	+10
Kobe Steel	4.0m	320	+6	Mitsubishi Hvy	2.2m	800	–6
Nippon Steel	3.9m	372	+1	UBE Inds	2.2m	419	+12
Mitsubishi Kasei	3.0m	545		Mitsubishi Matl	2.1m	560	+8
Showa Denko	2.5m	379	+5	Mitsubishi Pet	2.1m	755	+13

INDICES

	Aug 15	Aug 12	Aug 11	1994 High		1994 Low	
Argentina							
General (29/12/77)	(c)	19839.62	19731.79	25470.40	16/2	17758.80	20/4
Australia							
All Ordinaries(1/1/80)	2055.7	2051.9	2062.8	2240.80	3/2	1957.40	27/6
All Mining(1/1/80)	1008.9	1008.5	1008.1	1136.10	3/2	904.80	5/5
Austria							
Credit Aktien(30/12/84)	(c)	415.64	419.47	460.66	2/2	388.97	22/6
Traded Index(2/1/91)	(c)	1104.59	1114.88	1222.25	1/2	1011.38	6/6
Belgium							
BEL20 (1/1/91)	(c)	1458.02	1466.51	1542.66	9/2	1383.86	13/7
Brazil							
Bovespa (29/12/83)	(u)	45471.0	44838.0	45809.09	8/8	3600.90	3/1
Canada							
Metals Minls♦(1975)	(u)	3832.66	3845.35	3988.31	3/8	3288.08	20/4
Composite♦ (1975)	(u)	4175.14	4174.70	4808.90	23/3	3959.90	24/6
PortfolioSS (4/1/83)	(u)	1972.97	1972.18	2182.89	1/2	1859.17	20/7
Chile							
IPGA Gen (31/12/80)	(c)	4444.6	4441.8†	4867.80	4/2	3801.20	4/4
Denmark							
CopenhagenSE(3/1/83)	365.39	364.66	371.03	415.79	2/2	358.88	22/6
Finland							
HEX General(28/12/90)	1807.1	1822.1	1852.7	1872.89	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	(c)	1348.84	1365.87	1565.20	2/2	1285.36	4/7
CAC 40(31/12/87)	(c)	2006.85	2038.93	2355.93	2/2	1899.18	4/7
Germany							
FAZ Aktien(31/12/58)	807.04	804.51	821.76	858.27	18/5	757.51	27/6
Commerzbank(1/12/53)	2288.1	2279.5	2330.8	2465.50	2/5	2140.30	27/6
DAX (30/12/87)‡	2138.64	2124.68	2155.28	2271.11	16/5	1969.82	20/6
Greece							
Athens SE(31/12/80)	(c)	896.06	890.67	1194.58	18/1	806.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9486.13	9464.56	9524.54	12201.09	4/1	8399.44	4/5
India							
BSE Sens.(1979)	(c)	4508.1	4394.2	4808.10	12/8	3454.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	478.03	475.00	473.53	612.89	5/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1834.37	1830.19	1842.45	2082.16	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	(c)	644.43	669.17	817.17	10/5	588.85	10/1
MIB General (4/1/94)	(c)	1041.0	1081.0	1319.00	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	20626.33	20663.83	20621.36	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	300.15	300.20	302.45	311.71	13/6	258.22	4/1
Topix (4/1/68)	1652.36	1651.78	1662.52	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2456.20	2450.69	2465.74	2542.65	8/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1092.80	1105.29	1111.48	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2637.76	2598.89	2881.17	8/2	1957.33	20/4
Netherland							
CBS TtlRtnGenlEnd 83)	434.3	433.7	436.9	454.90	31/1	408.38	21/6
CBS All Shr (End 83)	275.8	275.2	277.3	294.80	31/1	257.90	21/6
New Zealand							
Cap. 40 (1/7/86)	2097.84	2071.94	2067.19	2439.84	3/2	1945.51	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1111.36	1102.83	1119.03	1211.16	28/2	980.91	21/6
Philippines							
Manila Comp (2/1/85)	3005.95	3007.36	2976.99	3308.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	(c)	2891.5	2894.0	3228.80	18/2	2812.88	20/6
Singapore							
SES All-S'pore(2/4/75)	569.83	572.28	568.94	641.61	4/1	523.28	4/4
South Africa							
JSE Gold (28/9/78)	2127.0♥	2154.0	2185.0	2331.80	4/1	1749.00	14/2
JSE Indl. (28/9/78)	6581.0♥	6580.0	6641.0	6787.00	15/6	5446.00	19/1
South Korea							
KoreaCompEx(4/1/80)''	(c)	945.74	938.19	974.26	2/2	855.37	2/4
Spain							
Madrid SE (30/12/85)	(c)	312.89	318.38	358.34	31/1	281.43	6/7
Sweden							
AffarsvardnGen (1/2/37)	1400.6	1418.3	1441.5	1603.90	31/1	1334.70	6/7
Switzerland							
Swiss Bk Ind (31/12/58)	1237.91	1237.99	1236.97	1423.34	31/1	1167.92	18/7
SBC General (1/4/87)	920.41	921.51	924.63	1093.39	31/1	888.10	13/7
Taiwan							
WeightedPr.(30/6/66)''	6543.57	6628.14	6692.02	6844.91	9/8	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	1453.41	(c)	1425.49	1789.73	4/1	1198.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	25515.6	24438.9	23949.5	28883.80	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)$	631.5*	632.1	629.5	641.09	1/2	581.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1351.19	1352.33	1376.03	1540.19	31/1	1303.48	21/6
Euro Top-100 (26/6/90)	1200.68	1200.14	1214.63	1331.01	2/2	1143.06	21/6
JCapelDrgns (31/12/88)	(u)	327.48	328.68	395.19	5/1	280.28	21/3
Barings Emerg.(7/1/92)	(u)	173.41	173.87	182.72	14/2	141.65	21/4

'' Sat Aug 13: Taiwan Weighted Price 6583.91; Korea Comp Ex (c). Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. $$ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 15 - 2134.34 +0.60

■ CAC-40 STOCK INDEX FUTURES (MATIF) August 12

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	2016.0	2019.0	-24.0	2032.0	2001.0	914	27,661
Sep	2022.2	2026.5	-24.0	2033.0	2010.5	121	7,999
Dec	2051.0	2055.5	-23.5	2051.0	2047.5	200	4,189

Open interest figures for previous day.

US INDICES

Dow Jones	Aug 12	Aug 11	Aug 10	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3768.71	3750.80	3766.76	3978.36 (31/1)	97.64 (29/7)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.92	97.83	97.97	105.81 (21/1)	96.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1600.80	1592.08	1603.59	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	188.97	187.65	188.36	227.66 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3792.66 (3785.86) Low 3739.27 (3728.56) (Theoretical♦)
Day's high 3773.89 (3773.89) Low 3750.25 (3736.66) (Actual♦)

Standard and Poors	Aug 12	Aug 11	Aug 10	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	461.94	458.88	460.30	482.00 (2/2)	438.92 (4/4)	834.19 (29/7/94)	4.40 (1/6/32)
Industrials♥	538.40	534.78	536.53	559.00 (2/2)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	45.53	45.08	45.15	46.94 (14/6)	41.39 (4/4)	48.48 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	254.77	253.31	254.20	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	443.70	443.25	443.97	487.00 (2/2)	422.67 (28/6)	487.00 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	731.61	728.20	728.20	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Aug 12	Aug 5	Jul 29	Year ago
Dow Jones Ind. Div. Yield	2.70	2.72	2.72	2.86
	Aug 10	Aug 3	Jul 27	Year ago
S & P Ind. Div. yield	2.43	2.42	2.45	2.52
S & P Ind. P/E ratio	23.51	23.55	23.13	25.14

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	462.65	462.40	-0.25	462.80	462.30	72,739	197,034
Dec	-	465.25	-	-	-	1,818	18,745
Mar	-	468.60	-	-	-	701	3,830

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Syntex	7,385,800	21⅝	-1
Eli Lilly	3,928,600	52⅞	-¼
Telefonos	3,909,300	63¾	+⅛
Gen Elec	2,777,000	48	+⅜
Exxon	2,604,700	60¼	+2⅞
Wal-Mart	2,438,300	24	-⅛
Compaq	2,189,800	35	...
IBM	2,000,500	63¾	-⅞
West Elec	1,977,300	12	+⅜
Merck	1,976,100	32⅞	+⅛

■ TRADING ACTIVITY

● Volume (million)	Aug 12	Aug 11	Aug 10
New York SE	249.200	275.677	279.474
Amex	13.840	16.464	17.847
NASDAQ	239.469	303.411	326.433
NYSE			
Issues Traded	2,823	2,831	2,846
Rises	1,235	727	1,189
Falls	815	1,383	941
Unchanged	773	721	716
New Highs	30	28	53
New Lows	45	71	51

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation.
♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close August 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	13⅛	AAR	0.48	3.3	483	69	14½	14⅜	14½	
16⅞	12⅝	A L Labs A	0.18	1.3	32	169	13⅝	13½	13⅝	+¼
75¼	57⅝	AMP x	1.68	2.3	25	1010	73½	72¾	73¼	+⅜
72¾	52⅛	AMR			68	2234	57	56⅛	56⅝	+⅛
5	3⅝	ARX			13	143	4	3⅞	3⅞	
56⅛	38⅝	ASA x	2.00	4.4	30	585	45⅝	45¼	45⅝	+1⅞
31⅞	25⅜	Abbott L	0.76	2.6	17	8210	29¾	28⅝	28¾	+⅛
13¾	11⅜	Abitibi Pr	0.50	3.8	9	28	13⅛	13	13	-⅛
23⅝	17¾	ABM Ind	0.52	2.4		40	22⅛	21¾	22⅛	+¼
14⅜	11⅛	Acptacctn			26	44	14¼	14⅛	14¼	
31	22¾	ACE Ltd	0.44	1.9	3	44	23¾	23⅜	23⅝	+½
12½	10⅛	ACM Gvt In x	1.08	10.4		499	10⅝	10½	10½	
10⅛	7⅞	ACM GvOpp x	0.80	9.9		30	8⅛	8	8	-⅛
10⅝	7⅝	ACM Gvt Sp x	0.96	12.4		522	7⅞	d7⅝	7¾	-⅛
12	9	ACM Gvt Se x	1.09	12.3		1109	9⅛	d8⅞	8⅞	-¼
11¼	8⅜	ACM Man x	1.08	12.9		176	8½	d8⅜	8⅜	-⅛
9¼	8	ACM Managd x	0.72	8.9		35	8⅛	d8	8⅛	+⅛
15½	8¼	AcmeClv x	0.44	3.9	13	59	11¼	11⅛	11¼	-⅛
9⅞	6½	Acme Elect			7	51	8	8⅞	8⅞	-⅛
28¾	23	Acordia	0.60	2.4	12	4	25½	25½	25½	
11	5¾	Actava	0.36	3.5	3	1652	10¾	10⅛	10¼	-½
15⅝	11¼	Acuson			97	65	12⅝	12¼	12⅝	+⅜
18¾	16½	Adams Expr	0.48	2.7	0	117	17½	17¼	17½	+⅛
64	46½	Adv Micro	3.00	5.1		29	58½	58¼	58¾	+¼
95	81	BankAm B x	6.00	7.2		2	83¼	83	83	
84⅝	63½	BnkTst	3.60	5.1	5	3586	70⅝	69⅛	70	+1
38¼	30	Bclays	1.29	3.8	100	103	34½	34¼	34¼	-¼
30½	22¼	Bard (C R)	0.60	2.4	20	712	24⅞	24	24¾	+¾
37¾	29½	Barnes Grp	1.40	3.9	51	27	36¼	35	36	
48⅛	39¾	BarnBk	1.64	3.6	10	611	45¼	44⅞	45	-⅛
12½	8⅞	BarnMt	0.05	0.5	987	215	9⅞	9¾	9⅞	+⅛
53⅞	34¼	Bausch	0.98	2.5	14	568	39	38½	38½	-⅜
27¼	21⅝	Baxter	1.05	3.8	41	6138	u27¼	26⅝	27¼	+⅞
28⅜	23⅞	Bay St Gas x	1.46	6.1	14	50	24	23¾	24	
22½	19⅛	Bd Tr 1838	1.72	8.2		16	21	20⅞	21	
23½	15⅞	Bear Strns x	0.60	3.5	4	3089	17⅛	16⅝	17	+⅜
50¼	47½	BearStPfA	2.83	5.9		4	48¼	48¼	48¼	
37½	27¾	Bearings x	0.64	2.0	22	11	32⅛	32⅛	32⅛	
28¾	23	Beckman In x	0.40	1.4	23	336	28	27¾	28	
44⅝	34⅛	BectnD	0.74	1.7	15	1181	44¼	43⅞	43⅞	-⅛

Continued on next page

★ FINANCIAL TIMES Tuesday August 16 1994

AMERICA

Higher Dow anticipates FOMC move

Wall Street

US stocks drifted higher yesterday morning as investors awaited word of an expected move today by the Federal Reserve to lift interest rates, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was up 7.12 at 3,775.83, while the more broadly based Standard & Poor's 500 was 0.89 ahead at 462.84. Volume on the Big Board was light, with 118m shares traded by the early afternoon.

In the secondary markets, the American SE composite was off 0.20 at 443.50 and the Nasdaq composite was 1.48 better at 733.09.

Most equity investors were marking time ahead of today's meeting of the Federal Open Market Committee, the policy-making arm of the Federal Reserve, which was expected to announce this year's fifth move to tighten credit conditions.

That widely held view, based on a stream of fairly strong economic data over the past two weeks, was reinforced by yesterday's news on July industrial production and capacity utilisation. Both figures suggested that the Fed's previous rate increases had not slowed the economy sufficiently to delay a further tightening.

Even though a rate increase was seen as a foregone conclusion, most investors were reluctant to make new positions. There was still uncertainty over how the bond market would react: its response, and the subsequent direction of share prices, might depend on whether interest rates are lifted by 25 or 50 basis points.

With such questions still unanswered, the market was generally static – indeed, nine of the 30 Dow industrial components were unchanged in early activity.

The banking sector, particularly sensitive to interest rates, was an exception, as many issues built on Friday's strength. JP Morgan climbed $1¼ to $64⅞ and Bankers Trust advanced $1¼ to $70¼.

HJ Heinz added a touch of spice to the bland proceedings amid stepped-up speculation that it was ripe for takeover. The stock added $⅝ at $37⅞. Quaker Oats, another food company considered vulnerable, rose $1⅞ to $76¼.

On the Nasdaq market, Lotus Development stood out with a $3 gain to $45.

Canada

Toronto stocks continued to ease in quiet midday trade as most players were sidelined ahead of today's US Federal policy committee meeting.

The TSE 300 composite index was down 9.20 at 4,165.90 in volume of 15.7m shares valued at C$198m. Declines led advances by 322 to 213, with 262 issues unchanged.

Of Toronto's 14 sub-indices, only two sectors managed to post gains at midday: consumer products rose 12.60 to 6,390.11 while real estate and construction climbed 8.67 to 2,522.05.

Mexico

Equities opened slightly firmer as investors began to close positions ahead of next weekend's presidential election.

The IPC index was up 1.08 at 2,638.84 during early trade in light turnover of 9.6m pesos.

Telmex "L" series shares were unchanged at 10.84 pesos.

SOUTH AFRICA

Shares in Johannesburg closed just off the day's lows in a session which saw an almost complete lack of foreign interest. De Beers, down R4.25 or 3.7 per cent at R112.25, suffered from profit-taking ahead of today's half-year results.

The overall index declined 21 to 5,790, industrials gained 1 at 6,581 and the golds index lost 27 at 2,127.

EUROPE

Strategists ponder prospects for Swedish shares

Several capitals were on holiday for Assumption Day. Activity in working bourses reflected this, and the hiatus between last week's interest rate increases and this week's FOMC and Bundesbank meetings, *writes Our Markets Staff.*

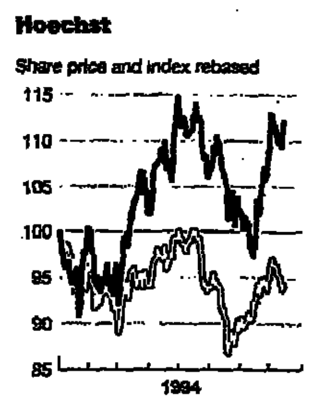
Currency weakness after the Swedish and Italian rate rises led Mr Sushil Wadhwani, a senior strategist at Goldman Sachs, to expect Stockholm and Milan to underperform Europe in the short term, adding the rider that Swedish equities were "already significantly undervalued on a medium term sense".

His counterpart at Lehman Brothers, Mr Joe Rooney, was less reserved, increasing his weighting in Sweden from 3 per cent to 4.4 per cent.

There was precedent, said Mr Rooney, for expecting equity performance from Sweden after the initial increase in interest rates. He called Stockholm: "A well managed, growth market which is cheap, and where the flow of earnings is not dependent on the domestic economy."

Hoechst

Share price and index rebased



Source: FT Graphite

FRANKFURT pounced delightedly on reports, confirmed by the company, that Hoechst had found a way to transform ozone into oxygen using a synthetic agent. The shares rose DM8.50 to DM356 as the Dax index moved ahead 14.16 to 2,138.44.

Mr Jörg Blattermann, a trader at Robert Fleming in Frankfurt, said that the story was tailormade for Hesse, which has just brought in an ozone alarm that involves reducing speed limits when the ozone level rises above specific targets. He added that Hesse had had six days of ozone alarms in the recent hot spell.

Turnover fell from DM7.7bn to DM5.1bn, Hoechst accounting for DM330m of that, against DM217m last Friday. In the post bourse, Daimler reflected futures based selling, falling from an official close of DM806 to DM799.40, down DM8 at the end of the day.

AMSTERDAM took a breather following last week's heavy round of results and ahead of another batch scheduled over the next few days.

The AEX index finished 0.75 easier at 415.18, after seeing a session's high of 416.31.

There were slight gains in a number of the international stocks which reported last week, including Royal Dutch, up 30 cents at Fl 193.03, and Unilever, 60 cents ahead at Fl 196.50.

Both Nedlloyd, the transport and shipping group, up 90 cents at Fl 70.70, and Hunter Douglas, the manufacturer of venetian blinds, outperforming the market with a gain of Fl 2.00 at Fl 85.00, are due to report half-year figures today.

Hoare Govett, in a forecast of Hunter Douglas published at the end of last week, said that it expected the company to announce higher sales and earnings for the first six months of 1994, due to a good performance in North America and the Pacific. Analysts also expect a positive set of results from Nedlloyd, helped by a strong contribution from the shipping division.

ZURICH waited for the US FOMC and the SMI index eased 7.8 to 2,572.7 in thin trading.

Ciba-Geigy bearers rose SFr9 to SFr827 on a buy recommendation. General interest rate worries left CS Holding SFr8 lower at SFr523, but SBC held its ground at SFr394, both ahead of half-year results due this week.

STOCKHOLM suffered an interrupted session owing to technical problems in the exchange's automated trading system. After a brief half-hour's resumption in the afternoon, the session was later abandoned with the Affärsvärlden general index having lost 15.70 to 1,400.60.

COPENHAGEN moved lower following a disappointing half-year result from ISS, the cleaning group. The KFX index dipped 0.34 to 100.45.

ISS, which posted an increased DKr235m pre-tax profit for the first half, just lower than market expectations, fell a net DKr22 to DKr197 after testing DKr190.

HELSINKI weakened as many investors took stock of last week's turbulence in the money and debt markets.

The HEX index receded 15.00 to 1,807.10.

ISTANBUL advanced 4.4 per cent, helped by weakness in the bond market. The composite index gained 1,078.72 at 25,515.63, having risen more than 10 per cent last week.

TEL AVIV had begun its week looking for trouble, the Mishtanim index falling 5.15, or 2.7 per cent, to 187.60 on Sunday in advance of Israel's monthly inflation figures. Similar apprehension yesterday took the index 0.46 lower again, to 187.14. The July consumer price index, released after trading ended, showed a rise of 1.1 per cent – a figure which, said analysts, was indeed higher than expected.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Aug 15 Hourly changes	Open†	10.30†	11.00†	12.00†	13.00†	14.00†	15.00†	Close†
FT-SE Eurotrack 100	1352.90	1353.03	1351.13	1350.87	1352.07	1352.07	1351.10	1351.18
FT-SE Eurotrack 200	1410.93	1411.19	1409.26	1409.09	1408.92	1409.60	1408.42	1407.89

	Aug 12	Aug 11	Aug 10	Aug 9	Aug 8
FT-SE Eurotrack 100	1352.33	1378.03	1384.35	1393.35	1409.19
FT-SE Eurotrack 200	1408.39	1425.70	1432.72	1439.28	1450.01

Base 1000 (26/10/90): Highday: 100 - 1354.91, 200 - 1411.78 Lowday: 100 - 1350.06 200 - 1407.45 † Partial

ASIA PACIFIC

Nikkei records its lowest volume in three months

Tokyo

Share prices closed off early highs on a round of late selling as volume dropped to its lowest level in three months with many investors remaining on holiday, *agencies report from Tokyo.*

Analysts added that activity was also dulled ahead of today's US Federal Open Market Committee meeting.

The Nikkei 225 average finished at the session's low with a decline of 37.50 at 20,626.33 after a day's high of 20,747.45. Volume amounted to 152m shares, the smallest since May 2 when 132m were traded.

The Topix index of all first section stocks was finally 0.60 up at 1,652.38, while the Nikkei 300 lost 0.05 at 300.15. Advancing issues led declines by 462 to 438, with 235 stocks unchanged. In London the ISE/Nikkei 50 index put on 1.50 at 1,337.95.

Investors were also awaiting the auction of shares in Japan Tobacco which begins today. The Finance Ministry is inviting bids for 230,000 JT shares between today and Thursday. The stock is due to be listed on October 27.

Analysts hoped that the listing of Japan Tobacco would revitalise stock market activity, although some institutional investors were less enthusiastic, while brokers remarked that few foreign investors seemed to be interested in the issue at all.

The main advancing sectors were airlines, steels, non-life insurance, banks and communications.

Steel shares were firmer on small-lot buying: Kobe Steel, which attracted the day's second highest volume, appreciated Y6 to Y320, while NKK added Y3 at Y285, Kawasaki Steel Y4 at Y418 and Nippon Steel Y1 at Y372.

Chemicals issues rose on overseas buying and expectations of increasing demand for the products. Ube Industries gained Y12 at Y419 and Sumitomo Chemical Y4 at Y554.

Roundup

Elections, or the prospect of them, weighed on New Zealand and Sri Lanka, while other markets in the region awaited today's US FOMC meeting.

WELLINGTON held on to its morning gains to close 1.24 per cent up as the market celebrated the government's by-election victory on Saturday. The NZSE-40 index put on 25.7 at 2,097.64, just under the day's peak of 2,102.41.

With the election out of the way, analysts now expect shares to rally in the coming months, but they add that the continuing political uncertainty, and the change to a proportional representation voting system, could hinder progress.

Telecom rose 10 cents to NZ$5.00, but Goodman Fielder fell 9 cents to NZ$1.66 after the US-based food group Phillip Morris announced that it had no plans to buy Goodman.

COLOMBO ended marginally lower as investors awaited today's general election. The all-share index shed 2.73 to 1,015.03 in turnover of SLRs100m, against Friday's SLRs134m.

Trading is to be restricted today to one 90-minute session.

SYDNEY was slightly firmer as investors braced themselves for a rise in official interest rates. The All Ordinaries index edged up 3.8 to 2,055.7 in modest turnover of 121.8m shares. BHP put on 10 cents at A$19.44.

HONG KONG saw low activity as investors awaited half-year results from HSBC Holdings, which were released after the close of business. The Hang Seng index was up 21.57 at 9,488.57 after touching 9,544.47. Turnover fell to HK$2.18bn from Friday's HK$3.35bn.

HSBC, which ended 50 cents firmer at HK$92, reported a 34 per cent increase in half-year pre-tax profits, at the upper end of analysts' expectations.

The H share index, made up of Chinese incorporated companies, went against the trend, falling 15.22 to 1,336.89.

BANGKOK rallied in heavy trade on institutional buying of blue chips. The SET index rose 27.92, nearly 2 per cent, to 1,453.41 in Bt13.5bn turnover.

Some analysts reported that institutional interest had been spurred by good second-quarter results, particularly from the communications sector. Shinawatra jumped Bt48 to Bt768 after revealing a 91 per cent leap in first-half profits to Bt1.21bn.

KUALA LUMPUR dipped on profit-taking, the composite index shedding 12.49 to 1,092.80. Volume shrank to 267m shares from 556m. Falls led rises by 296 to 140.

Linatex moved ahead M$1.40 to M$15.90 after the Securities Commission approved its purchase of two banks and a securities firm.

SINGAPORE fell back as profit-taking in over-the-counter stocks spilled over into the broader market.

The Straits Times Industrial index closed 16.04 down at 2,301.75 in turnover of S$518m.

Brokers said that OTC shares, which mainly comprise Malaysian companies, had led the market higher in recent sessions and were pulled back following losses yesterday on the Kuala Lumpur Stock Exchange.

Among the main movers, Singapore Press Holdings lost 40 cents at S$16.60.

TAIPEI weakened on a late round of selling which eroded earlier gains. The weighted index fell 20.34 to 6,543.57, off an intraday high of 6,614.11. Turnover was T$50.76bn.

KARACHI finished lower in thin, cautious trading ahead of today's settlement day. The KSE index fell 27.16 to 2,271.25, a loss of 1.2 per cent.

MANILA ended 1.41 down at 3,005 after profit-taking cut short an early climb.

Italy leads the European equity retreat

By William Cochrane

Until last Wednesday evening, Italy was the sick man of the week in Europe, but it was joined by a number of its neighbours after Thursday's key interest rate increases in Sweden, and Italy itself.

James Capel talks of "rate contagion" in its latest World Economic Watch. "The long period of monetary ease must now come to an end," says the broker, "and the move by Sweden and Italy signals that rate contagion will spread beyond North America."

The broker expects US interest rates to rise at the FOMC meeting in Washington today. Australia and the UK are next on its list for upward interest rate moves.

In Europe, Capel says that the Bundesbank's discount rate is likely to rise by March, around six months earlier than Merrill Lynch was forecasting last week in the US broker's reaction to the Swedish interest rate rise. "The whole of Europe," says Capel, "is now on interest rate watch."

By the end of last week, Europe, excluding the UK, was down by 3.3 per cent in local currency terms over five days. Italy still led the downtrend with a fall of 9.2 per cent in a severe but still partial correction of the outperformance it has seen against other European markets this year.

Mr Albert Edwards, global strategist at Kleinwort Benson, sounded a warning note a week ago about recent bourse gains. By early August, he calculated, German and French equity markets had seen rises of 7.9 and 11.4 per cent in the five weeks since June 30.

He added last Friday that interest rate jitters would affect the Continent more than the UK. While most commentators (Kleinwort apart) believed that an upward move in UK base rates was imminent, consensus 12-month forecasts for German and French three-month rates were 4.2 and 4.6 per cent, both well down from current rates of 4.9 and 5.6 per cent respectively.

"We may think that tightening is some considerable way off," remarked Mr Edwards, "but that will not stop the markets worrying about future developments."

Secondly, he noted, Continental equity valuations were more vulnerable at an earlier stage in recovery and the earnings cycle. Prospective 1994 p/e ratios for non-financials were 36.1 in Germany, 21.6 in France and 13.8 for the UK.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-1.76	+1.91	+5.02	-7.01	-0.94	+3.57
Belgium	-1.60	+3.36	+4.13	-3.92	+3.58	+8.29
Denmark	-4.73	-1.82	+7.95	-3.55	+1.59	+6.21
Finland	-3.13	+2.59	+26.80	+15.11	+23.20	+28.79
France	-4.28	+2.21	-3.62	-10.22	-5.01	-0.69
Germany	-2.55	+1.05	+8.79	-7.52	-1.27	+3.23
Ireland	-2.92	+2.52	+9.33	+0.47	+3.83	+8.55
Italy	-9.21	-10.15	+5.24	+4.58	+7.26	+12.14
Netherlands	-1.96	+4.07	+11.01	-3.75	+2.33	+6.98
Norway	-3.38	+1.03	+8.74	+3.49	+8.77	+13.72
Spain	-3.20	+2.89	+7.52	-5.69	-0.77	+3.75
Sweden	-4.17	+0.99	+9.23	+1.16	+3.56	+8.27
Switzerland	-0.45	+3.04	+6.95	-10.80	-3.00	+1.41
UK	-0.67	+2.57	+4.61	-7.30	-7.30	-3.08
EUROPE	-2.34	+1.80	+5.16	-6.59	-3.11	+1.30
Australia	-2.01	-0.38	+10.91	-4.54	-0.18	+4.36
Hong Kong	-1.11	+3.81	+31.90	-21.24	-24.67	-21.25
Japan	+0.16	-0.87	-1.57	+13.56	+21.24	+26.75
Malaysia	+1.56	+11.57	+48.57	-13.68	-12.98	-9.02
New Zealand	-2.04	+4.34	+11.85	-3.34	-0.71	+3.80
Singapore	+0.90	+4.94	+25.45	-8.10	-6.05	-1.78
Canada	+0.09	+0.71	+7.91	-1.34	-9.55	-5.43
USA	+1.04	+1.80	+2.73	-0.62	-4.93	-0.62
Mexico	+0.89	+13.47	+45.38	+0.57	-12.03	-8.03
South Africa	+1.60	+4.81	+47.13	+19.34	+8.10	+13.02
WORLD INDEX	-0.21	+1.16	+3.66	+0.87	+1.77	+6.39

† Based on August 12th 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co, and NatWest Securities Limited.

FT-ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS	FRIDAY AUGUST 12 1994								THURSDAY AUGUST 11 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	174.15	-1.2	166.92	110.07	140.85	156.08	-0.7	3.53	176.36	170.58	112.72	145.53	157.11	189.15	139.24	143.78
Austria (17)	191.58	1.1	183.62	121.09	154.95	154.87	-0.9	1.03	189.43	183.22	121.08	156.31	156.24	195.41	164.64	164.88
Belgium (37)	176.13	1.2	168.82	111.33	142.45	139.32	-0.7	3.97	174.07	168.36	111.26	143.63	140.36	176.76	143.62	147.24
Canada (105)	128.41	-0.3	123.08	81.16	103.86	128.44	0.0	2.64	128.75	124.53	82.29	106.24	128.43	145.31	120.54	125.48
Denmark (33)	262.55	0.8	251.65	165.94	212.34	220.36	-0.9	1.35	260.55	252.02	166.54	215.00	222.33	275.79	212.38	212.43
Finland (24)	158.67	-0.5	152.09	100.29	128.33	172.36	-1.8	0.82	159.52	154.30	101.96	131.63	175.52	164.23	104.28	109.92
France (97)	174.75	0.4	167.49	110.45	141.33	146.32	-1.4	3.01	174.12	168.42	111.29	143.68	148.45	185.37	159.13	160.04
Germany (58)	144.77	0.7	138.76	91.50	117.09	117.09	-1.3	1.77	143.80	139.09	91.91	118.66	118.66	147.24	120.35	120.35
Hong Kong (56)	385.35	-0.3	369.36	243.56	311.67	382.35	-0.3	3.17	386.47	373.81	247.02	318.91	383.37	506.58	286.76	291.24
Ireland (14)	201.05	-0.2	192.71	127.07	162.61	186.08	-0.9	3.33	201.56	194.96	128.83	166.32	187.84	209.33	161.54	163.96
Italy (61)	76.92	-4.1	73.72	48.62	62.21	91.71	-4.0	1.66	80.19	77.56	51.25	66.17	95.58	97.78	57.88	72.00
Japan (469)	164.94	0.4	158.10	104.25	133.41	104.25	-0.7	0.73	164.28	158.90	105.00	135.57	105.00	170.10	124.54	162.43
Malaysia (98)	538.17	-0.5	515.83	340.15	435.27	529.81	-0.7	1.56	540.79	523.08	345.66	446.26	533.50	621.63	361.95	382.58
Mexico (18)	2195.91	0.8	2104.75	1387.92	1776.02	8154.63	0.8	1.64	2177.66	2106.33	1391.89	1796.94	8091.71	2647.06	1615.11	1650.71
Netherland (27)	213.01	1.3	204.17	134.64	172.29	169.89	-0.8	3.35	210.39	203.44	134.44	173.66	171.21	214.54	173.05	173.05
New Zealand (14)	70.49	0.3	67.57	44.55	57.01	62.31	0.2	3.84	70.27	67.97	44.91	57.99	62.16	77.59	56.86	57.85
Norway (23)	204.28	-0.1	195.80	129.11	165.22	189.78	-1.7	1.74	204.43	197.73	130.66	168.68	193.14	211.74	165.52	171.79
Singapore (44)	361.00	0.5	346.02	228.17	291.98	250.45	0.4	1.68	359.35	347.58	229.68	296.53	249.48	378.92	269.16	269.16
South Africa (59)	301.82	1.2	289.39	190.83	244.19	298.94	-1.3	2.08	298.30	288.53	190.66	246.15	302.98	301.92	175.93	198.21
Spain (42)	144.57	-1.1	138.57	91.38	116.93	142.30	-1.9	4.05	146.14	141.36	93.41	120.59	144.96	155.79	122.55	122.55
Sweden (36)	212.60	-0.8	203.78	134.38	171.95	245.11	-2.0	1.63	214.27	207.25	136.95	176.81	250.12	231.35	175.63	185.75
Switzerland (47)	162.40	2.0	155.66	102.64	131.35	131.52	-0.4	1.85	159.25	154.03	101.79	131.41	132.01	176.56	129.77	129.77
United Kingdom (204)	198.72	1.0	190.47	125.60	160.73	190.47	0.1	3.98	196.73	190.28	125.74	162.34	190.28	214.96	179.29	179.68
USA (519)	188.74	0.6	180.91	119.29	152.65	188.74	0.6	2.85	187.62	181.48	119.92	154.82	187.62	198.04	178.95	183.72
EUROPE (720)	171.77	0.5	164.64	108.57	138.93	154.18	-0.9	3.01	170.85	165.26	109.20	140.98	155.51	178.58	149.68	149.68
Nordic (116)	210.40	-0.3	201.66	132.98	170.17	206.24	-1.7	1.44	211.07	204.16	134.91	174.17	209.78	222.03	173.19	174.09
Pacific Basin (749)	173.67	0.3	166.47	109.77	140.47	114.83	-0.7	1.05	173.22	167.55	110.72	142.94	115.38	176.86	134.79	165.54
Euro-Pacific (1469)	172.75	0.4	165.57	109.18	139.71	130.53	-0.7	1.87	172.10	166.46	110.00	142.01	131.51	173.89	143.88	158.90
North America (624)	185.00	0.6	177.32	116.93	149.63	184.81	0.6	2.84	183.97	177.94	117.59	151.81	183.56	192.73	175.67	180.11
Europe Ex. UK (516)	153.59	0.3	147.21	97.08	124.22	132.90	-1.4	2.44	153.19	148.18	97.92	126.41	134.81	156.12	130.74	130.74
Pacific Ex. Japan (280)	259.45	-0.5	248.68	163.99	209.84	231.00	-0.4	2.79	260.76	252.22	166.67	215.18	231.89	298.21	196.72	196.72
World Ex. US (1651)	174.05	0.4	166.82	110.01	140.77	134.11	-0.7	1.89	173.38	167.70	110.82	143.07	135.08	176.01	145.58	169.08
World Ex. UK (1966)	175.87	0.4	168.57	111.16	142.24	147.25	-0.3	2.04	175.17	169.43	111.96	144.55	147.69	176.51	155.96	164.98
World Ex. So. Af. (2111)	177.11	0.5	169.76	111.94	143.25	150.06	-0.2	2.23	176.32	170.55	112.70	145.49	150.43	178.59	158.54	166.18
World Ex. Japan (1701)	186.97	0.5	179.21	118.18	151.22	178.30	-0.1	2.87	186.08	179.99	118.93	153.54	178.41	195.20	170.51	170.51
The World Index (2170)	177.89	0.5	170.51	112.44	143.86	151.16	-0.3	2.23	177.08	171.28	113.18	146.12	151.56	178.97	158.85	165.30

Constituent changes with effect 16/8/94: Deletions: Bow Valley Energy (Canada) and Consolidated Plantations (Malaysia). Latest prices were unavailable for this edition.